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U.S. Note to China Reportedly Tells Of F-5s for Taiwan

By Hedrick Smith
New York Times Service

WASHINGTON — The United States has sent a high-level message to China that it will proceed with co-production of the F-5E fighter aircraft with Taiwan, well-placed administration sources have disclosed.

Some sources said Friday that the U.S. message was transmitted in a letter from President Reagan to the Chinese leadership and delivered in Peking by Ambassador Arthur W. Hummel Jr. in the past week. But White House officials would not confirm that the communication involved a presidential message.

U.S. officials said that although the president's latest action had been forewarned by an earlier decision six months ago, the administration was still braced for a strong reaction from Peking, which has strenuously opposed continuing American arms sales to Taiwan and warned of serious consequences.

In Peking, the Chinese Foreign Ministry reacted cautiously Saturday to a promise by U.S. Secretary of State George P. Shultz to support the sale of defensive weapons to Taiwan. The Associated Press reported:

"Our stand is consistent and is known to all," a Foreign Ministry spokesman said in answer to reporters' questions about Mr. Shultz's statement last Wednesday during his Senate confirmation hearings.

Foreign diplomats said the ministry's statement was cautious and noted that China declined to launch a headline in a condemnation of the new secretary of state. There is no doubt, however, that China adamantly is opposed to arms sales, they said.

Long Negotiations

On Jan. 11, the State Department announced that Mr. Reagan had decided to let Taiwan buy additional F-5E fighter planes but not more advanced aircraft. But long diplomatic exchanges with Peking, involving months and internal debate within the administration had raised some doubts in conservative ranks, among others, about what and whether the decision would be put into effect.

Sen. Barry Goldwater, the Arizona Republican, along with other conservatives has been pressing the president to proceed on the F-5E issue to demonstrate the administration's commitment to fulfill provisions of the Taiwan Relations Act, passed by Congress to preserve the military supplies to Taiwan after the Carter administration established full diplomatic relations with Peking.

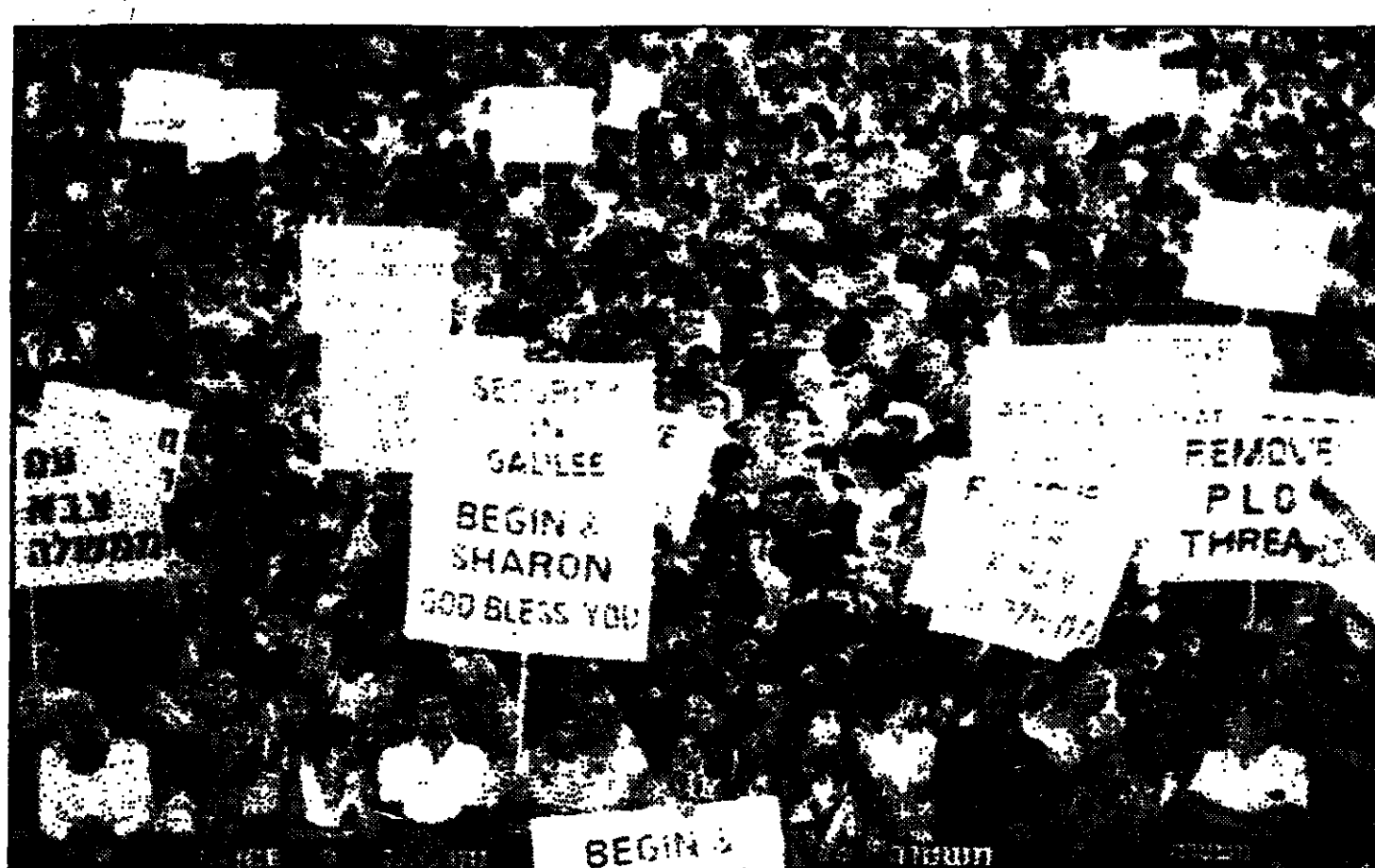
Senior U.S. officials said that the president had still not made a decision on notifying Congress that he had approved the F-5E deal with Taiwan. They said he was awaiting a report from Mr. Hummel on the "temperature" in Peking following the latest communications.

Last Wednesday, Sen. Goldwater used the confirmation hearings for Mr. Shultz to complain that the formal notice to Congress had been "delayed and withheld" and to press Mr. Shultz to support prompt action on the issue.

"Of course, a decision to send something up here will be the president's decision," Mr. Shultz said. "My advice to him would be to do it. But he will have to decide that."

The fact that Mr. Shultz was ready to make such a strong public statement was taken as an indication that Mr. Reagan had decided to break the long diplomatic logjam on the issue.

Thursday, Sen. Goldwater said he had been informed that the president had decided to continue arms sales to Taiwan "as they are needed." He called this decision a



A crowd filled a square in Tel Aviv Saturday night to support the Israeli war policy in Lebanon. Mayor Shlomo Lahat, a sponsor, estimated that 250,000 people attended, which would make it the largest demonstration in the country's history.

Israel to Await Talks Between Reagan, Arabs

Compiled by Our Staff From Dispatches

JERUSALEM — The Israeli Cabinet agreed Sunday to wait until President Reagan has met with Syrian and Saudi officials on Tuesday before making any further decisions about how to get trapped Palestinian guerrillas out of West Beirut, an Israeli official reported.

Israeli officials reported that there had appeared to be a split in the Cabinet during deliberations over what to do next.

Many ministers accused the guerrillas, as well as Syria and Saudi Arabia, of stalling in the negotiations being conducted in Beirut by Philip C. Habib, the U.S. special envoy in the Middle East, the official said.

"Some ministers felt the Cabinet should take an immediate decision on new measures to force out the Palestinian terrorists from Beirut," he told reporters.

"But a majority of the Cabinet agreed to wait until after President Reagan's meeting with the Syrian and Saudi foreign ministers in Washington on Tuesday," he added.

Prime Minister Menachem Begin warned Saturday that the guerrillas have fewer than 30 days to quit their besieged bases in the Lebanese capital.

Mr. Reagan and the new U.S. secretary of state, George P. Shultz, are to confer with the Syrian foreign minister, Abdel Halim Khaddam, and the Saudi foreign minister, Prince Saud al-Faisal. The two foreign ministers represent the Arab League in the efforts to reach an agreement.

The Israeli officials said they believed the Saudis and Americans were trying to persuade Syria to admit the guerrillas and their families.

The Syrians agreed about 10 days ago to accept the guerrillas but then changed their minds, the officials said Sunday.

One Israeli official said Mr. Habib had "again asked us to be a bit more patient and the government reluctantly agreed. But the ministers asked the prime minister to make it clear it will not tolerate any stalling tactics much longer."

The Israeli officials also reported Sunday that no progress had been made in negotiations on getting the Palestinians out of Beirut and that it would be "unrealistic" for Israel to wait 30 days for diplomatic results.

Briefing reporters after the Cabinet meeting, officials said Israel was losing political ground and the Palestinians were gaining world sympathy as the negotiations dragged on without progress.

Foreign Policy Under Shultz Is Expected to Reflect Reagan's Ideology

By Leslie H. Gelb
New York Times Service

WASHINGTON — From the outset, the foreign policy of the Reagan administration was driven by powerful ideological views and pent-up political forces, by people who felt that the overriding need was to blunt the Soviet challenge. Everything else — arms control, relations with allies, improving ties with developing countries — had to be subordinated to this end.

Former Secretary of State Alexander M. Haig Jr. acted as if the only way to derail this locomotive was by throwing his body publicly on the tracks. The tactic worked until he overplayed his hand. In a way, his weaknesses, insecurities and assertiveness translated into bureaucratic strength.

One of the questions being asked about the new secretary of state, George P. Shultz, is whether his personal strengths, nonconfrontational style and willingness to be a team player will result in bureaucratic weakness.

In a recent editorial, The Wall Street Journal remarked: "The main fault we found during Shultz's five and a half years with President Nixon was that he did not defend his own principles strongly enough. A long-standing foe of economic intervention, he stayed on when Nixon in August, 1971, launched a disastrous policy of wage and price control. He did not even flinch when Nixon made him secretary of the

Treasury and handed him the impossible tasks of trying to make the wage-price policy work."

The editorial came to the same conclusion that a number of White House officials were expressing privately last week: This will not be a problem since Mr. Shultz and President Reagan agree on almost everything.

Even if Mr. Shultz and Mr. Reagan agree on everything now, what will happen once the new secretary is enmeshed in the perspectives of the State Department?

Having to deal with the concerns of other countries has turned the heads of almost every recent secretary of state.

Another key question is whether Mr. Shultz arrived too late to make much of a difference in any direction.

These questions fill the present vacuum of uncertainty. It is simply not clear, for example, whether Mr. Haig often succeeded because Mr. Reagan feared to run over him or because Mr. Haig's arguments gave him pause.

By all accounts, Mr. Shultz is quite capable of having a fight, but without rancor and far from public view. As one who observed him at close quarters in the Nixon administration put it: "Somehow authority

flows toward him, so he doesn't need to throw his body in the way."

For all Mr. Reagan's happy anticipation last week to "having George with us as a member of the team," a certain level of institutional tension between the State Department bureaucracy and the politicians in the White House is inevitable. This can be alleviated by personnel changes, which people who claim to know said Mr. Shultz will do within the next 60 days.

The conflict with the White House can also be muted simply by not painting decisions that go against the State Department as losses, as Mr. Haig was wont to do. According to one of these sources, "You won't know when George wins or loses."

The question has arisen several times as to why Mr. Shultz was not offered the position in the first place. The answer, according to two people familiar with the circumstances, was that someone in Mr. Reagan's inner circle told the president that Mr. Shultz was not interested.

It will be difficult to gauge the new bureaucratic balance of power. Only Defense Secretary Caspar W. Weinberger remains of the original big three composed also of Mr. Haig and Richard V. Allen, who was replaced as national security adviser by William P. Clark.

By all accounts, the real powerhouse now is Mr. Clark — not because of his knowledge, but because of his unquestioned loyalty to Mr. Reagan and the president's expressed desire to be seen as clearly in charge of foreign policy. This is perhaps borne out by a conservative trend in Mr. Reagan's recent moves.

His decision to ban the sale of oil and gas equipment to the Soviet Union not only by American companies but by West European companies producing under license was a case in point. His edging toward approving the sale of new jet fighters for Taiwan at the risk of embittering relations with China is another.

A move to improve relations with the Palestine Liberation Organization and Arab states on the ground that the Arabs are more important than Israel in the struggle against Moscow would be contrary to campaign rhetoric, but it would also underline a certain conservative trend.

Mr. Shultz, in his testimony before the Senate Foreign Relations Committee last week, made clear that he either agrees with these courses of action or is prepared to go along with them.

White House officials have contended all along that Mr. Reagan has consistent views about the world and what to do with American power. They decried the lack of consistency in Carter administration policy and have bemoaned their own lack of consistency for the last year and a half. The reason for that inconsistency, as they see it, was Mr. Haig.

If the Reagan administration is, in fact, about to embark on a consistent foreign policy, it will be in a rightward direction. Two things can change that — failure or Mr. Shultz.

Iran Claims Successes In Ground, Air Battles

Compiled by Our Staff From Dispatches

LONDON — Iran claimed further successes against Iraq on Sunday, indicating that heavy fighting close to their border was continuing.

A military communiqué said that in the latest operation inside Iraq, Iranian troops had destroyed two brigades and one battalion, killing or wounding more than 850 Iraqis and capturing more than 800. Tehran radio, monitored in London, quoted the communiqué as saying: Iranian forces had knocked out 116 Iraqi tanks and armored troop carriers.

Iranian fighters and helicopters raided targets inside Iraq, inflicting heavy damage and casualties, the communiqué said. It did not say when or where the latest operation took place, but the recent fighting has been concentrated around the Iraqi oil city of Basra, about 15 miles (24 kilometers) from the common border at the head of the Gulf.

The latest Iraqi statement, carried by the official Iraqi news agency, said 2,300 Iranian troops had been killed and a large number captured in the past 24 hours.

The speaker of Iran's parliament, Ali Akbar Hashemi Rafsanjani, in a speech before parliament, warned Sunday that Iran would take action against any Gulf states who supply arms to Iraq, Tehran radio reported.

He said the Gulf states need not fear Iran. His country has no territorial ambitions, he said, but "if truckloads of arms continue to go to Iraq then Iran will have the right to an appropriate response."

Mr. Rafsanjani's warning came one day after Iraq's deputy premier, Taha Yassin Ramadan, left for Saudi Arabia and Kuwait, two Arab oil states that have supported Iraq in its 22-month conflict with Iran, Kuwait and Saudi Arabia, like Iraq, are Arab states governed by Sunni Muslims. They fear that a victory by the Ayatollah Ruhollah Khomeini and the Shiite rulers of Iran will inflame revolutionary passions among the Shiite populations of some of the smaller Gulf states.

In Beirut, the newspaper al-Nahar reported that Iraq will abrogate its 15-year treaty of friendship and cooperation with the Soviet Union unless the Soviet government fulfills its treaty obligations in the Iranian invasion.

The newspaper quoted unidentified Iranian sources as saying:

(Continued on Page 2, Col. 1)



Iranian forces, taking position in their trenches near Al-Hawz, Iran, at the southern front. Tehran radio claimed Sunday that Iranian forces had inflicted further heavy casualties on Iraq.

Shelling, PLO Raid Are Reported As Negotiations Continue in Beirut

Compiled by Our Staff From Dispatches

BEIRUT — Sporadic shelling broke out around West Beirut on Sunday and the encircled Palestine Liberation Organization reported a nighttime raid against Israeli positions as negotiations to end the siege continued with no apparent progress.

Beirut Radio said Sunday's shooting was intermittent and confined to the southern suburbs, where most of the estimated 6,000 PLO fighters are concentrated. Each side said the other fired the first shots.

The area has been largely quiet since a cease-fire ended furious artillery battles a week ago that killed at least 60 people.

Also Sunday, the Palestinian news agency Wafa said a guerrilla unit had struck Israeli positions Saturday night at Mansouriyeh, in the hills east of Beirut.

"Using rocket-propelled grenades and automatic weapons, the guerrillas destroyed one tank and a heavy machinegun position, killing or wounding eight Israeli soldiers. The guerrillas returned safely to base," Wafa said.

There was no immediate comment from the Israeli military command.

Efforts to end the conflict went on as the special U.S. envoy, Philip C. Habib, met with Lebanese President Elias Sarkis and Premier Shafiq al-Wazzan. Throughout the talks to prevent an Israeli assault on the capital, Mr. Habib has been the key link with Israel, while Mr. Wazzan has maintained constant contact with the PLO.

Mr. Wazzan told the English-language magazine Monday Morning in Beirut that two key obstacles were slowing the negotiations — the timing of the deployment of a multinational peace force in the city and the destination of guerrilla evacuees.

The PLO and Mr. Wazzan are insisting that the force be deployed before the PLO departs to protect West Beirut's population and the civilian Palestinians against reprisals. But Mr. Habib is said to be in favor of sending in the peacekeepers after the PLO's departure.

The United States, France, Italy, Greece, Austria and the Netherlands have agreed in principle to provide contingents to the force.

Hopes for a breakthrough in the talks are pinned on a meeting Tuesday in Washington between President Reagan and the Syrian and Saudi Arabian foreign ministers, Abdel Halim Khaddam and Prince Saud al-Faisal. It was originally believed that the trapped PLO forces would withdraw to Syria, but Damascus announced July 9 that it would not accept them.

Government sources also said they were still considering a PLO proposal that its fighters pull back temporarily to positions within Lebanon while final foreign destinations are arranged.

Mr. Wazzan also said in the magazine interview that he was "certain that Lebanon will not sign a unilateral peace treaty with Israel."

Israeli Official Said

TEL AVIV (UPI) — Yaacov Kor, 35, director of public works on the Israeli-occupied West Bank, was shot to death Saturday by a gunman as he was shopping for vegetables in the Bethlehem marketplace, Israel radio and television networks reported.

Occupation forces placed the town under curfew immediately after the attack, but lifted the curfew a few hours later. About 100 suspects were detained.

Speculation Growing in U.K. About Major New Spy Scandal

Compiled by Our Staff From Dispatches

LONDON — Members of Parliament are urging Prime Minister Margaret Thatcher to make a statement on national security amid speculation that a major new spy scandal is about to erupt.

The requests have been prompted by reports of a serious breach of security at the nerve center of Britain's intelligence network, the government communications headquarters at Cheltenham in the west of England.

Radio communications between foreign governments and armed forces are relayed there by listening stations all over the world. The information is shared under an agreement with the United States and NATO countries.

On Thursday, Geoffrey Arthur Prime, 44, a Cheltenham taxi driver, was charged with unspecified acts of espionage over 15 years. Press reports said he had worked at the Cheltenham center from 1968 to 1978.

A Labor MP, Leo Abse, wrote to the government leader of the House of Commons Sunday alleging an official cover-up of a recent report by a judge on security.

Mr. Abse wrote, "Spy scandal succeeds spy scandal and still the government fails to honor

Geoffrey Dickens, a Conservative MP, called for an emergency debate on the security of sensitive computers.

Labor MP Ted Leadbitter, who last year exposed the curator of the queen's art collection, Sir Anthony Blunt, as a former Soviet spy, said, "Ever since the Blunt affair I have not been convinced the whole truth has been made available to the House of Commons about lapses in security."

Several MPs have demanded that Mrs. Thatcher give a written reply in Parliament next week on whether she is satisfied with security of government communications establishments.

They say the leaks could be the most damaging to any government since the Burgess, Maclean and Philby Soviet spy ring was unmasked several years ago.

Several Sunday newspapers said ministers were denying that there was still a spy ring or a double agent deep within the headquarters.

A former Cheltenham employee, Alec Lawrie, 59, called security at the Cheltenham base "lax and fossilized."

Uniformed police were on guard at Cheltenham Friday for the first time, and the center's

INSIDE

■ Launch Under Attack is a nuclear war strategy that is to many thinkers an anathema ranking not far behind preemptive war. But for a supposedly unthinkable idea, it has been much discussed of late. Page 3.

■ Starvation as a means by which to extract Russians to extract visas from the Soviet state may seem, at the least, ill-advised. But against the history of pressure tactics used to secure emigration, the recent rash of hunger strikes has a certain tragic logic. Page 5.

■ When Angola achieved independence from Portugal, those bent on creating a new order wrote a slogan that compared their revolution to a bicycle. If you stop pedaling, you fall off. Seven years later, the wheels are still turning, although slowly. Page 6.

■ American Tom Watson won his fourth British Open golf championship, beating South African Nick Price by a shot at Troon, Scotland. Bobby Clampett, the leader for the

British Railroad Strike Collapses As Other Unions Refuse Support

Compiled by Our Staff From Dispatches

LONDON — A two-week strike by Britain's locomotive engineers collapsed Sunday after it failed to gain support from other key trade unions. State-owned British Rail said normal service would resume Monday for its 1.4 million commuters and long-distance travelers.

The collapse of the strike was considered a victory for Prime Minister Margaret Thatcher, who had backed British Rail's demand that the engineers accept changes in work conditions to upgrade Britain's deficit-ridden national railroad.

A formula for settling the dispute was reached over the weekend in long meetings involving the Trades Union Congress, British Rail, the engineers' union and the government's mediation service.

Union officials said the formula, a TUC proposal accepted by British Rail Saturday, called for the acceptance in principle of flexible

depots where they already have been posted.

The union's policy-making conference will be recalled with the recommendation to accept flexible scheduling and support introduction of the new system at the 265 remaining depots, the officials said.

The union had argued that British Rail's demand for seven- and nine-hour shifts would mean layoffs, while the company insisted the innovation would save \$68 million annually.

The TUC, a congress of the nation's unions, voted Saturday to insist that the locomotive engineers agree to scrap the eight-hour workday gained in a 1919 contract.

The TUC intervened after British Rail threatened to fire the 20,000 engineers and shut down the entire 11,000-mile (17,600-kilometer) rail network Wednesday. The congress feared the impact of a total rail shutdown on thousands of jobs in other industries.

motive Engineers and Firemen, said his members were instructed to return to work at midnight Sunday.

Conceding defeat, Mr. Buckton said, "This was a battle which could not be won without the support and assistance of the whole of the trade union movement, support which was not forthcoming."

"The issue at stake was whether the organized, trade union movement would allow the management of a nationalized industry to impose changes on its employees without their agreement."

"Throughout, British Rail's actions have received the full support of the government and now they have received the support of the finance and general purposes committee of the TUC."

Mr. Buckton accused Sidney Weighall, general secretary of the National Union of Railwaymen, of assisting British Rail by refusing to support the engineers. The rail

Shultz Consults Kissinger in Day of Middle East Meetings

By Bernard Gwertzman
New York Times Service
WASHINGTON — U.S. Secretary of State George P. Shultz called on the Israeli and Egyptian ambassadors Sunday and met all afternoon with Henry A. Kissinger and other experts in an effort to develop a new, longer-range policy for the Middle East, State Department officials said.

An official said it is possible that Mr. Shultz may decide to ask Mr. Kissinger, a former secretary of state, or other prominent Americans to undertake a special mission to the Middle East.

Mr. Shultz "has the strong sense that patterns are shifting in the

Middle East and we'd be pretty dumb if we got stuck in the day-to-day shuffle over Lebanon and watched the chances drift by," the official explained. The new U.S. secretary of state, who was sworn in Friday, devoted his first full day in office to the Middle East.

He met Saturday morning for more than a half hour with Moshe Arens, Israel's ambassador to the United States, and had a later session planned Saturday with Ashraf Ghorbal, Egypt's envoy.

In a related development, an aide said Mr. Shultz has recommended that President Reagan name Kenneth W. Dam, a long-term colleague, to the No. 2 job at

the State Department, replacing Deputy Secretary Walter J. Stoessel Jr., who is expected to retire this year.

Possible No. 2

Mr. Dam, provost at the University of Chicago, worked with Mr. Shultz in the Office of Management and Budget and in the Treasury Department.

According to an Israeli diplomat, Mr. Shultz told Mr. Arens that he was the first ambassador invited by him to the State Department because he wanted to emphasize Mr. Reagan's continuing commitment to Israel's security. Mr. Shultz reportedly told Mr. Arens that despite the problems in the

Middle East caused by the Lebanese crisis and the Iraq-Iran war, there are opportunities for achieving a breakthrough and Mr. Shultz intends to try and take advantage of them.

Mr. Shultz visited Israel and other Middle East countries a few years ago with Irving S. Shapiro, then the chief executive officer of DuPont Co. Now a lawyer in Wilmington, Del., Mr. Shapiro was invited to take part in the all-afternoon session with Mr. Kissinger and others.

Another former associate at the session was Laurence H. Silberman, a San Francisco banker who served with Mr. Shultz when he was secretary of labor. Mr. Silber-

man has long been regarded as a candidate for possible high office in the Reagan administration.

The decision by Mr. Shultz to seek Mr. Kissinger's advice about the Middle East is such a visible sign that he intends to take more advantage of Mr. Kissinger's experience than had former Secretary of State Alexander M. Haig Jr.

Admiration for Kissinger

Mr. Shultz has said in the past that he admires Mr. Kissinger's skills in foreign affairs, having served with him under Mr. Nixon. In his current book of memoirs, Mr. Kissinger said that "if I could choose one American to whom I would entrust the nation's fate in a crisis, it would be George Shultz."

Others who took part in the session that began with lunch and lasted through dinner, officials said, were Mr. Stoessel; Lawrence S. Eagleburger, undersecretary of state for political affairs; Nicholas A. Veliotis, assistant secretary of state for Near Eastern and South Asian affairs; Paul Wolfowitz, director of policy planning; Richard Fairbanks, who had been Mr. Haig's special assistant on Middle East diplomacy; Robert C. McFarlane, deputy director of the National Security Council staff, and Robert C. Ames, chief specialist on the Middle East for the Central Intelligence Agency.

One official said Mr. Shultz wants to get an appreciation of the present situation and the realistic possibilities. "He knows this is a crucial time for the region, but he doesn't want to become stuck with a desk officer mentality, becoming so engrossed in day-to-day decisions that the longer-range possibilities are lost," the official said.

Mr. Shultz will meet Tuesday with Prince Saud al-Faisal, the foreign minister of Saudi Arabia, and Abdel Halim Khaddam, the foreign minister of Syria. They are coming to Washington to discuss with Mr. Reagan and Mr. Shultz the Arab League's concerns about Lebanon.

Mr. Reagan has sent letters to several Arab leaders including King Fahd of Saudi Arabia, President Hafez al-Assad of Syria and President Hosni Mubarak of Egypt asking for ideas about the creation of the Palestine Liberation Organization.

Israel Seems to Be Ready for Assault on Beirut

Army Leaders Consider Move Inevitable if Diplomacy Fails

By Drew Middleton
New York Times Service
NEW YORK — An impression is growing among Western military intelligence officers that the Israeli Army is prepared — if diplomatic measures fail — to root out the military elements of the Palestine Liberation Organization in West Beirut.

The Israelis understand, a highly qualified Israeli source said, that storming PLO strongholds would involve casualties that, even if acceptable militarily, would feed opposition in Israel to the war. They also understand that casualties among the civilian population in West Beirut would exacerbate criticism of their policies.

Balancing these factors is the Israeli military conviction that the survival of the PLO in West Beirut would amount to a serious setback for national policy.

At the same time, Israeli intelligence reports emphasize that the PLO forces in West Beirut are better armed than they had expected. The Israelis contend that the Palestinian guerrillas have more than a million rounds of ammunition of all types and that they are equipped with Soviet-made 130mm rockets and guns. The rocket launchers are mobile and can fire 40 rounds in quick succession, then move to a new position.

The PLO also has large stocks of shoulder-fired anti-tank weapons. The prospect of heavy casualties in city fighting is evidently one reason the high command in Tel Aviv has counseled caution. The army, an Israeli pointed out, is drawn from "the core of our nation."

The possibility of heavy casualties among Lebanese civilians also causes concern. But Israeli sources do not believe these would be as heavy as specialists in the West estimate. They say that in urban warfare civilians soon learn to adjust by living in cellars or, during a pause in the fighting, fleeing to safety outside the battle zone.

The PLO would enter a battle for West Beirut with some advantages. It would be fighting in a built-up area that it knows well and in which the defender has an edge. Moreover, the guerrillas believe they are more experienced in urban warfare than the Israelis, who have not fought a city battle since 1967, when they seized the Arab sector of Jerusalem from Jordan.

The Israelis, displaying their customary confidence, believe they

can overcome these Palestinian advantages. The idea of a heavy air and artillery bombardment appears to have been put aside for the moment, largely because in past operations of this type it has not sufficed to liquidate opposition.

Instead, they are thinking in terms of point-to-point advances, each advance covered by heavy fire from machine guns and mortars. These tactics demand a great deal from infantry, even infantry as well trained as that of the Israeli Army.

While accepting the seriousness of the military problem, Israeli sources emphasize that they see no hope of stability in Lebanon or the Middle East generally until the PLO is eliminated as a military force.

Until that is done, they contend, the PLO will be a magnet for anti-Israeli and anti-American elements throughout the region, and the Soviet Union will continue to train PLO soldiers in platoon leadership, anti-aircraft technology and intelligence. The Russians, a Western intelligence source said, have made a minor military investment in the PLO but the result has been a force that has been able to keep the Israelis occupied for nearly two months.

Western intelligence sources believe that the Israelis now have the

military resources for an assault on West Beirut should they choose to play this card. An Israeli armored brigade, which has a war strength of 3,500 men and 80 to 100 tanks, and a mechanized brigade, with 3,500 men and 36 to 40 tanks, recently moved into the battle zone.

One weapons advantage for Israel is its Merkava tank. The earlier fighting proved the effectiveness of this tank against Soviet-built T-72s used by Syria.

But in street fighting it would have a dual use. The Merkava is built to carry up to a squad of infantry for short distances and with a reduced shell load. In urban warfare the tank could be used to cross areas under fire, then unload its infantry behind the defenders.

Tanks have not been particularly effective in urban warfare in the past because built-up areas provide cover for anti-tank missiles and snipers. In 1956 the Soviet Union sent tanks into the streets of Budapest during the Hungarian uprising and lost many to gasoline bombs thrown from windows and roofs.

"We have been fortunate," an Israeli source said. "We built this tank incorporating the infantry-carrying capacity. We have had a chance to prove it on the battlefield. It works. We think it will work anywhere."



A Lebanese invalid rolls his wheelchair from East Beirut to West Beirut along a road closed to motor traffic by Israel and marked by holes dug by Palestinians for the quick placement of mines.

Lebanese Refugee Center Facing 'State of Chaos' as Food Runs Out

By Marvin Howe
New York Times Service
BAALBEK, Lebanon — The main refugee relief center for eastern Lebanon is out of food.

"We have to admit we're in a state of chaos," said the chief of the center, Ali Kanaan. "The refugees are hungry and impatient, and all we have to give them is cooking oil and soap."

Mr. Kanaan, a Lebanese government official, said international aid is needed desperately.

As he spoke, a crowd of angry refugees banged on the doors of the center demanding food, milk and medicine. The day before, refugees broke into the center's storehouse and, enraged at finding it empty, accused the relief workers of stealing the goods.

Total Put at 100,000

An estimated 100,000 Lebanese and Palestinians have fled to the Baalbek area to get away from the fighting in southern Lebanon and in Beirut, according to Mr. Kanaan.

"We are urging people to go home, because if the Israelis stay we will have a Lebanese refugee problem, like the Palestinian problem," he said. He added that so far only about 1,000 Lebanese and Palestinian families have returned to southern Lebanon, while more and more people are coming from the Beirut area.

Dima Sabi, a UNICEF representative who came here to look into the refugees' needs, said, "The situation is very serious, because most of the refugees are women and children who fled here without any belongings, and so they need everything."

The center for emergency operations in Damascus has already sent two convoys to Baalbek with soap, water purifiers, medicine, blankets, tents and baby food, and the International Committee of the Red Cross has provided medical supplies and some food.

Whatever has been sent, however, is clearly not enough and the situation among the refugees is tense.

providing Israel with the most advanced arms and against other Arab countries for what they see as a lack of concern.

Israeli Aid Supplies

BEIRUT (AP) — The Israeli Army has eased its blockade to allow regular, small supplies of food and medicine into West Beirut, but the need for aid is increasing as the siege of the Palestinian-controlled half of the capital enters its sixth week, an official of the International Committee of the Red Cross said Sunday.

"We are dealing with 80,000 to 100,000 displaced persons, and that's not all of them," said a relief coordinator, Jung Dactwyler. "Every day there are new ones, and to find them is quite a problem."

"The problem now is not just displaced persons, but people living in West Beirut for a long time. They have no job, no money. In two or three weeks it will be a big problem."

No food shortage is apparent in the city. Stores still have stocks, and although fresh fruit and vegetables were scarce for a time, they are readily available now.

Israelis Reportedly Defend Cluster Bomb Use

By David B. Ottaway
Washington Post Service
JERUSALEM — Israel was reported Sunday to have told the U.S. government it had not violated its agreement concerning the use of American-provided cluster bombs because they had been aimed only against military targets.

Israeli radio, reporting on the content of the Israeli reply delivered Friday to Secretary of State George P. Shultz, said the government had justified its use of the deadly bombs on the ground that the Syrian entry into the fighting had turned it into a "full-scale war."

"In these conditions," the radio quoted the Israeli explanation, "it had been permissible for Israel to use the cluster bombs."

No Other Details

They had been used "within the conditions laid down in the sale of U.S. arms," the Israeli government reportedly told Mr. Shultz.

No other detailed account of the Israeli reply was available here Sunday and it was not even clear

that Israel radio was quoting directly from it or simply giving the gist of the Israeli argument.

[President Reagan said Sunday the administration has begun a major review of all the problems involved in the current Middle East crisis, including whether to send new shipments of cluster bombs to Israel, United Press International reported.]

[Mr. Reagan made the comment on his return to the White House by helicopter after spending the weekend at the presidential retreat at Camp David, Md. Asked if it is a good time to review the question of further arms to Israel, Mr. Reagan said: "This is what is on our minds right now, everything to do with the Middle East and trying to find answers to that problem."] Privately, officials in Washington said the Pentagon had already ordered a hold on a new shipment to Israel of 155mm artillery shells that function like cluster bombs.

Sources in Jerusalem said, "Israel used cluster bombs only for defensive purposes and against military targets only."

Israel in its reply was also said

to have expressed regret over the civilian casualties resulting from its use of the bombs. But it said they were the result of the "systematic deployment" of Syrian and Palestinian guerrilla forces in civilian areas, the radio said.

The issue of the use, and possible misuse, of U.S.-provided cluster bombs by the Israelis in its invasion of southern Lebanon has not yet been aired here and the government has said little about it to the public.

Used in 2 Areas

The Israelis are known to have used the weapon, which explodes above ground and spray hundreds of tiny bomblets over a football-field-size area, in at least two areas.

One was in the mountain Chouf region of south central Lebanon near Ain Dara just south of the Beirut-Damascus highway where Syrian forces successfully blocked the Israeli advance toward the vital road link for days.

The Israeli drive through the Chouf was not primarily aimed at

the Palestinians but was part of a secondary objective of forcing Syria out of Lebanon's eastern Bekaa Valley and indeed all of Lebanon. There were practically no Palestinian guerrillas anywhere in the Chouf region.

Washington Post correspondent Jonathan Randal visited an Arter hospital near Ain Dara that was hit by a cluster bomb during the Israeli drive through the area. The hospital was located just below the road where Syrian tanks and armor had blocked the advancing Israeli column.

The Israelis also used the cluster bombs in attacking the Palestinian camps in the southern outskirts of Beirut. In particular, western correspondents visiting the camp of Borj Borjeh in the first weeks of the war were given some of the bomblets as souvenirs.

The Palestinian camps contain both civilians and guerrillas, most of whose families live with them. As the war progressed, however, most of the civilians were evacuated from the camps and took shelter in the city's center.

Israel Defers PLO Decision

(Continued from Page 1)

Mr. Habib has told Israel that 90 percent of the agreement has been agreed to and that the only major issue remaining was finding a sanctuary for the Palestinians, the official said. But Mr. Habib had made "no progress at all in the last four or five days," he added.

The officials said Mr. Begin had invited Mr. Shultz to visit Israel.

In his comments Saturday, Mr. Begin told the rally in Tel Aviv that Israel already had destroyed 90 percent of the guerrilla forces and stood ready to eliminate the remainder.

Without saying which U.S. officials he had been in contact with, the prime minister said he had heard last week from the United States that the negotiations on the Palestinian withdrawal would take another 30 days.

"I hereby declare the Palestinians in Beirut have not got 30 days," he told a cheering crowd.

An Israeli official said later, however, that Israel has set no deadline for reaching an agreement.

Mr. Sharon, who spoke just before Mr. Begin, said Israel was willing to grant "immediate temporary sanctuary" to the guerrillas in West Beirut.

Israeli Conditions

He added that only guerrillas whose hands were "not covered with blood" and who agreed to quit the Palestine Liberation Organization would be welcome in Israel.

Mr. Sharon said he was making the offer with the understanding that Israel would honor its word not to harm those granted sanctuary only until a country could be willing to take them permanently.

"Sharon should know that the only solution is not elsewhere but in Palestine," replied Mahmoud Labadi, the chief spokesman for PLO chairman Yasser Arafat, in a telephone interview in Beirut Sunday. "All the acts of psychological warfare are doomed to failure."

Mr. Begin also called for Jordan to open peace talks with Israel, proposing that Amman enter into a confederation of free movement and trade with what he called "the western land of Israel" — the term by which he refers to Israel and the West Bank.

Mr. Begin said Jordan could use Israel's ports at Haifa and Ashdod instead of shipping its goods around the Gulf of Suez or the Cape of Good Hope.

But Jordan rejected the suggestions Sunday. "This is ridiculous," the Jordanian information minister, Adnan Abu Odeh, said. "It is just an Israeli maneuver to divert attention from its plans to liquidate the Palestinian people."

The idea of forming such a confederation has been made before by several Israeli officials but has always been rejected by Jordan.

Food Is Dispatched

In Damascus, Richard Gautier, head of the delegation of the International Committee of the Red Cross, said six truckloads of food from Saudi Arabia were sent to the Baalbek relief center Thursday.

"Things are getting under control and we expect the real needs of the refugees to be covered by the end of the month," Mr. Gautier said. He emphasized, however, that if the fighting gets worse in the Beirut area, there will certainly be a major influx of refugees to Baalbek.

In one school, 22 Lebanese families from the Beirut area are living in difficult conditions. None of them has enough blankets or mattresses. Ibrahim Shamass, a municipal employee, was given only two small foam-rubber mattresses and five blankets for his family of 12.

A group of 20 Palestinian families lodged in an unfinished three-story building are in worse condition. "We need everything — but mostly blankets, because if it gets cold here at night," said Sobhih Alade, 22, who was breast-feeding her 10-day-old baby. She and her three other children came three weeks ago when the Israelis invaded Damur, a Palestinian settlement south of Beirut. The family is camped on the bare concrete with protection from the cold.

There is a militant atmosphere in the Palestinian camp on the outskirts of Baalbek, with nationalist music and progress reports on the fighting in Beirut blaring over the loudspeakers. The new Palestinian refugees are a bitter lot with many horror stories of Israeli occupation. They voiced anger particularly against the United States for

Ruling Party Wins Election in Fiji

SUVA, Fiji — The ruling party of Prime Minister Ratu Sir Kamisese Mara narrowly defeated the Indian-led opposition Sunday in Fiji's general elections, which were marred by racial tension and charges of foreign intervention.

A record 87 percent of the electorate took part in the seven-day balloting that followed weeks of bitter campaigning between Sir Kamisese's mainly Fijian Alliance Party and the Indian-dominated National Federation Party.

The Alliance, which has ruled this nation since its first elections in 1972, lost eight of its 36 seats in the House of Representatives but won a five-year mandate to oversee the country. The National Federation, led by a Hindu lawyer, Jai Ram Reddy, won 22 seats, while a small Fijian provincial group picked up two others.

U.S. Stalling on Arms, Pravda Says

MOSCOW — The United States is stalling on the issue of reducing medium-range nuclear arms in Europe so that it can deploy Pershing and Cruise missiles in NATO countries, according to Pravda.

"The U.S. side is evading businesslike discussion of the issue of nuclear weapons in Europe, dragging out the time," the Communist Party's daily newspaper said Saturday. "The Washington-advised zero option in effect means unilateral reduction of Soviet medium-range systems. In this case NATO would find itself possessed of a more than two-fold advantage in the number of delivery vehicles for medium-range weapons and a three-fold advantage in the number of nuclear warheads."

President Reagan proposed the "zero option," which calls for the Soviet Union to dismantle its SS-20 missiles targeted on Europe in exchange for the United States' canceling of plans to deploy more than 500 Pershing-2 and Cruise missiles.

Freed Scholar Back From Afghanistan

LONDON — A respected British archaeologist, sentenced to death by Afghanistan but suddenly freed last week, returned home Sunday saying he was the victim of a campaign to discredit his government.

Ralph Pinder-Wilson, 63, director of the British Institute for Afghan Studies who confessed to subversion and smuggling old coins during a televised trial, was so weak that he had to spend several days in a New Delhi hospital before flying home.

"In the end they said I would be released if I made a confession in a television interview and I agreed," he said.

Somalia Reports Ethiopian Attack

NAIROBI — Somalia claimed that Ethiopian forces launched a new attack Sunday on the border town of Galdogob using Soviet-made tanks and artillery, but were driven back.

"The enemy has been defeated and is on the run," the official Somali press agency said in a dispatch to Nairobi. The press agency said the fighting lasted for several hours but did not indicate how long the fighting lasted or whether there were any casualties.

Earlier in the two-week-old border hostilities, a Somali rebel group claimed to have captured Galdogob, located in the Mudugh region about 375 miles (600 kilometers) northeast of Mogadishu. The Somali press agency said it was the third attack on Somali territory by Ethiopian forces during the weekend.

Iran's Attack Provokes Little Concern at UN

By Frank J. Priol
New York Times Service
UNITED NATIONS — Although thousands of troops are fighting on the Iraqi-Iranian border, the latest phase of the conflict appears to have stirred little alarm at the United Nations.

For almost two years, the United Nations was actively involved in seeking a negotiated settlement of the war, which began in September, 1980. A special UN envoy, former Premier Olof Palme of Sweden, made numerous journeys between Baghdad and Tehran in an effort to find a basis for a settlement.

But after Iraq's recent withdrawal to its borders and Iran's subsequent invasion, the diplomatic response has seemed relatively muted.

"I am amazed," said one member of the Security Council, which last week called for a cease-fire. "I am sure that foreign offices and departments of state around the world are seriously concerned about the Iran-Iraq war, but this certainly does not seem to be reflected in the deliberations here."

A Different View

In contrast, the Iranian delegate, Said Rajate-Khorassani, said that far from there being too little interest in the Iran-Iraq war, there is too much.

He refused to discuss the military situation and insisted that any coverage of it served only to divert attention from the real crisis in the Middle East, the Israeli invasion of Lebanon.

"That," said an African diplomat, "has been the Iranian position in recent days. They think that their war has been ignored by the rest of the world, particularly the media, for 22 months."

"Now when they think the war is in its final stages and is something they can handle themselves, they interpret this renewed interest as a feverish effort on the part of Israel and the United States to divert attention from the burning of Beirut and the possible annihilation of the PLO," he added.

A Security Council resolution calling for a cease-fire and a withdrawal of troops to internationally recognized borders was unanimously approved last Tuesday, but there was an Iranian military force drove across the Iraqi border, intent on toppling Iraq's government and extracting war indemnities. "Do you expect us to fight our way to the border, then just shake hands and say goodbye?" asked Mr. Khorassani Wednesday.

Salah A.K. al-Mukhtar, a spokesman for the Iraqi delegation, brushed aside characterizations of the conflict as either a religious or a territorial war. "What is involved here," he said, "is solely the ambition of the Ayatollah [Ruhollah] Khomeini. He wants to spread his own personal power in the Middle East."

A Middle Eastern diplomat said: "There is a great deal of concern on the part of permanent Security Council members to take a really strong stand on this issue. Everyone seems to have one excuse or another why we should not take a firm stand. I don't think this is an accurate reflection of what is happening in their capitals. Perhaps it's just that this is not seen as the appropriate place to raise this particular issue."

One member of the Security Council interpreted the apparently mild reaction as an effort to mollify, or at least not to alienate, Iran. "We want to leave a little door open," he said, "so if at some point there is an opportunity for new ini-

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Baghdad to overthrow President Saddam Hussein.

Our attention and target is to find out what is going on over the land route to reach Jerusalem," he said. "It may pull us to move toward Baghdad."

On Saturday, Prime Minister Menachem Begin ridiculed Ayatollah Khomeini's vow to capture Jerusalem, saying Israel would scatter the Iranian Army "to the four corners of the earth." At a rally in Tel Aviv in support of the invasion of Lebanon, Mr. Begin called Ayatollah Khomeini "that old man in the Hussein" "that old man in the Hussein" "that old man in the Hussein."

President Hussein on Saturday accused Tehran's Islamic rulers and Israel of collaborating in the Gulf war in a bid to destroy the region.

"The Iranian people today are the object of a Zionist conspiracy that brought the rulers of Iran to power to blow up the region and push it back," Mr. Hussein said in a speech marking the 14th anniversary of his Baath party rule in Iraq.

Addressing the Iraqi armed forces, Mr. Hussein said, "Iraqi soil will remain sacred. Your struggle against the Iranian army is in defense of not only Iraq, but the entire Arab nation."

He also said Saturday that a summit of nonaligned nations scheduled for September would be held in Baghdad despite the hostilities with Iran, according to the Iraqi news agency. Both Iran and Iraq are members of the 94-nation nonaligned movement which is

From July 5th through August 27th, Monday through Friday, the International Herald Tribune will present the news in English at 10 a.m. on radio station RMC.

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Once Unthinkable, 'Launch Under Attack' Nuclear Strategy Is Being Discussed

By Charles Mohr
New York Times Service

WASHINGTON — The concept of "launch under attack" is a nuclear war strategy that many in an armaments ranking not far behind the United States, but for a supposedly unthinkable idea, it has been much discussed of late.

In recent months, a number of important defense policy reports in the United States have contained scores of references to firing some nuclear missiles after getting reliable electronic warning that enemy missiles are on their way. Last week, the Soviet Union hinted that it might embrace such a policy.

A principal argument against the strategy was succinctly put by Fred C. Ikle, now the undersecretary of defense for policy, in testimony before the House Armed Services Committee three years ago.

"If any witness should come here and tell you that a totally reliable and safe launch-on-warning posture can be designed and imple-

mented," he said, "that man is a fool." Last week, Mr. Ikle said he still regards launch under attack as "hair trigger and irresponsible."

Last week the Soviet defense minister, Dimitri F. Ustinov, issued a statement criticizing U.S. military planning and hinting that the Russians might adopt launch under attack.

Richard L. Garwin, a physicist and defense consultant to several administrations and perhaps the leading American advocate of launch under attack, said that the modern liquid fuels employed by the Kremlin are no obstacle to keeping missiles fueled at all times, a requirement of launch under attack.

"Strategic warning," which depends to a considerable extent on satellite sensors, might give evidence that the Soviet Union is preparing missiles and other weapons for possible war. Few, if any, responsible officials have advocated launch on strategic warning — which is only another way of describing preemptive attack.

Launch under tactical warning that missiles have been fired is relatively simple in theory. If land-based intercontinental missiles are highly vulnerable to destruction by Soviet missiles, as 1,000 U.S. Minutemen are said to be, some of them could presumably be fired during approximately 30 minutes of flight time required for Soviet missiles.

A complicating factor is that submarine-launched missiles aimed at officials such as the president might arrive within 10 minutes. Launch under attack is therefore sometimes advocated as a solution to the possible threat of "nuclear decapitation" of U.S. leadership.

Accidental War

A report by an advisory panel on MX missile basing, published recently by the congressional Office of Technology Assessment, said necessary upgrading of satellite and radar warning systems and of command, control, communications and intelligence systems to a

launch-under-attack status would require several years and billions of dollars. The panel, however, believes that the cost would be significantly less than required for other methods of protecting and basing MX missiles.

One worry is that technical failures could strikingly increase the possibility of accidental nuclear war. The congressional study said no matter how much money and ingenuity are devoted to safeguards, there would always remain the possibility of accidental nuclear war.

In a 1980 article in International Security, Mr. Garwin argued that launch under attack seems to present no more hazard of unauthorized or accidental nuclear firings than does the present system in which the entire Minuteman force can be fired in a very short time by a proper order.

He contends that the problem of unauthorized firing could be addressed by cryptographic systems, borrowed from modern message-

security systems, which prevent enemy interference with command systems and mechanically prevent the arming and release of U.S. weapons without a firing code fed into the mechanism.

Mr. Garwin wrote that the probability of accidental launch can be calculated as the number of errant signals per year times the likelihood that any one will be interpreted as a real firing code. The expected number of accidental signals is less than one per year, caused by lightning, electrical noises or the like, but he argues that if 1,000 per minute were received, "the pure-chance firing of the missiles would shorten the average human life by less than 0.1 seconds."

The statement is based on Mr. Garwin's mathematical estimate that an accidental firing is likely to occur only once in 100 million years.

Many others believe that the dangers of

technical failure or accident are either higher or unknown. Moreover, there has been speculation about the problems that might arise if either superpower found it possible to blind the other side's warning sensors.

In the esoteric language of nuclear strategy, this might give "warning by loss of warning."

One of the most unpalatable aspects of launch under attack is that the president's role would only be to endorse the claim of the sensors that an attack was under way.

Some conservatives strongly oppose launch under attack because it is an unsatisfactory substitute to expensive plans to develop survivable bases.

The increasing official emphasis in the last year of the Carter administration and so far in the Reagan administration on seeking to develop the ability to fight protracted and controlled nuclear war is not compatible with an administration seriously considering the policy of launch under attack.

Weinberger's Deputy Aims to End Bickering Among Armed Forces

By Richard Halloran
New York Times Service

WASHINGTON — Secretary of Defense Caspar W. Weinberger looked out over the graduating class at the Naval War College in Newport, R.I., last month, and said, "I see sprinkled among you many wearing different shades of dark blue, white, olive green and light blue uniforms, as well as several in civilian attire."

"That is as it should be," he said. "Neither the Navy nor any other service is ever going to war by itself. In peace and in war, military objectives can be achieved only by joint planning and operations that integrate all combat arms."

It was all very pleasant, but behind his words lay impatience, according to senior officials in the Defense Department. Mr. Weinberger and, particularly, Frank C. Carlucci, deputy secretary of defense, are becoming increasingly upset with squabbling among the armed forces.

Mr. Carlucci, according to the officials, is leading a crackdown. He is dealing personally with the secretaries of the Army, Navy and Air Force, and he has ordered the new chairman of the Joint Chiefs of Staff, Gen. John W. Vessey, to get the military chiefs to pull together.

Fighting for Resources

The problem is endemic, Gen. David C. Jones, the former chairman of the Joint Chiefs, who advocates more authority for his successors to help overcome the bickering, said on his last day in office. "We spend a lot of time fighting for resources."

An official agreed. "There was less of that when the budget was expanding. There's going to be more of it now that the budget is tightening."

When Mr. Carlucci came to the Pentagon, he reorganized the Defense Resources Board, a small group that decided on weapons acquisitions, into a Pentagon executive committee to coordinate strategy and budgets. He appointed the service secretaries to the board and invited the chiefs of staff to join the debate when issues concerning their services came up.

The Army traditionally favors

joint operations since it is the service most dependent on other services. It must, for instance, rely on the Navy for transport and on the Air Force for tactical air support.

Pentagon officials say that was one reason for Gen. Vessey's being chosen chairman of the Joint Chiefs.

Coordinating Plans

The Navy, on the other hand, has generally resisted joint ventures and has been a particular target for Mr. Carlucci. The classified five-year plan known as Defense Guidance, says, "Navy force planning must include more utilization, when appropriate, of other service capabilities." It specifically cites integrating Air Force radar warning and control planes with Navy forces at sea.

The guidance goes on to say, "The ability of the Navy to contribute to land campaigns with long-range cruise missile and sea-based tactical aircraft and amphibious forces needs to be factored into the combined arms planning."

For the Air Force, the guidance orders new roles in defending sea lanes. For instance, it says, "The Air Force should employ fighter forces and surveillance systems to defend Iceland and support the defense of the North Atlantic sea lanes of communication." Long-range bombers, when armed with missiles, are also ordered to attack enemy naval bases.

In Navy-Air Force discussions, however, Air Force officers have contended that they lack weapons to attack ships and Navy officers have wondered whether they can count on the bombers.

The Defense Guidance instructs the Army and Air Force to develop intelligence, communications and weapons on the ground. "That can be directed at Warsaw Pact second-echelon targets, with emphasis on countering and destroying the highly concentrated Pact command and control structure and major formations and bases."

For the future, the Defense Guidance instructs the Army and Air Force to cooperate on weapons for electronic warfare, such as jammers. The Navy and Air Force are to develop an advanced fighter engine by fiscal year 1987. The Army and Navy are to work on a new turboprop engine.



SPY TAIL — The Canadian destroyer Saskatchewon followed the Soviet spy ship Gavril Sarychev in international waters Friday near the mouth of the Strait of Juan de Fuca. The first U.S. Trident nuclear submarine is due to arrive soon at a base near the strait, which separates Canada's Vancouver Island from the state of Washington.

Attorney General Calls Amnesty Plan Costly

By Charles R. Babcock
Washington Post Service

WASHINGTON — The Reagan administration warned Congress last week that a Senate plan to grant amnesty to millions of illegal aliens could cost more than \$10 billion in new state and federal welfare costs over the next four years.

"At a time when we are facing necessary cutbacks in welfare programs for our citizens, such extraordinary added costs to provide benefits to former illegal aliens cannot be justified," Attorney General William French Smith said. His warning was made in a letter on July 11 to Sen. Strom Thurmond, chairman of the Senate Judiciary Committee.

The bill's sponsor, Sen. Alan K. Simpson, Republican of Wyoming, called the figures "seriously distorted." And Arnold Torres, executive director of the League of United Latin American Citizens, accused Mr. Smith of exaggerating costs to "scare the public and the Congress."

Under the sweeping immigration reform bill approved by the Judiciary Committee, an estimated 4.3 million illegal aliens would be eligible for amnesty. About 1.2 million who arrived in the United States before 1978 would become permanent residents and thus eligible for the major federal benefit programs.

Another 3.6 million who arrived before Jan. 1, 1982, would become temporary residents, eligible for only a few benefits. But they would become permanent residents within two years.

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Non-Caloric Fat Substitute Reported in U.S.

But Doctor Says Product May Not Be Approved for Years

By Nicholas D. Kristof
Washington Post Service

WASHINGTON — A fat substitute that contains no calories and is indistinguishable from the real thing was described Thursday by a University of Cincinnati medical team, which said that the substitute had helped very obese men lose almost half a pound a day.

But the experiment was conducted on only 10 men who used the substitute for only 20 days. The principal researcher, Dr. Charles J. Glueck, said that it could be years before the substitute is available on the market.

The fat substitute, called sucrose polyester, can be used in milk shakes, in salad dressing, and in a spread that looks and tastes like margarine. Researchers said it could also be used as a cooking oil. "Patients literally can have their cake and eat it, too," Dr. Glueck said.

A Sucrose Molecule

Sucrose polyester, which is not related to the polyester used in manufacturing clothes, consists of a sucrose molecule attached to a group of eight fatty acids. Dr. Glueck said the body does not know what to do with this peculiar combination, so the fat passes through it without being digested.

The medical team tested sucrose polyester on 10 men who were obese but did not have glandular disorders. For 20 days the men were fed regular foods and for 20 days they were fed foods with the fat substitute. Only some nutritionists — but neither the subjects nor the medical researchers — knew when the sucrose polyester was in the food.

In an article in the American Journal of Clinical Nutrition, Dr. Glueck and his colleagues said eight of the 10 subjects could not

tell when they were eating foods with fat and when with sucrose polyester.

The men were given the chance to eat snacks — brownies, potato chips, chocolate chip cookies and jelly beans — if they felt hungry. However, they did not eat more snacks when they were on the substitute than when they were on fats.

Special Diet Period

In the special diet period, nutritionists each day substituted about two ounces (56 grams) of sucrose polyester for other fats in each per-

son's food. As a result, the number of calories each person consumed at meals dropped 30 percent, and the men lost an average of four-tenths of a pound (0.18 kilograms) per day.

Dr. Glueck said the substitute would lower blood cholesterol and triglycerides, reducing the chance of heart disease. He said the only known side effect is a slight drop in body level of vitamins A and E. Vitamin supplements were not necessary with any of the subjects, but Dr. Glueck said sucrose polyester should be available only by prescription.

Much larger experiments, with many more people and lasting several months, are planned. But Dr. Glueck said it could be years before the Food and Drug Administration approves the substitute.

Other experts in the field said the research was promising but noted that other fat substitutes are available for people who wish to count calories. Dr. George L. Blackburn of the Harvard Medical School said sucrose polyester probably has a future but emphasized that it is not a panacea for problems associated with fats in the diet.

Turkey Issues Draft of New Constitution

The Associated Press

ANKARA — The draft of the new Turkish constitution, made public Saturday, calls for a strong president and a powerful executive branch. In Turkey's previous constitution, the president had only a ceremonial role and the real power rested with the premier.

The constitution would impose restrictions on press freedom and rule out the establishment of a Communist, fascist or theocratic order in Turkey, which has a predominantly Moslem population.

Orhan Aldikacti, chairman of the 15-member Constitutional Commission that prepared the draft, said, "We tried to write a constitution that would bring the law and order desired by the nation."

Under the proposed constitution, the president, to be elected by the parliament for a seven-year term, could dismiss the premier and demand emergency powers, subject to parliamentary approval, in times of crisis to legislate by decree.

The new constitution calls for a one-house national assembly of

400 legislators elected for five-year terms, instead of the bicameral parliament, which existed under the constitution of 1961.

On press freedom, the draft of the constitution requires that publishers and editors be held responsible for reports that threaten "state security and unity of the nation," incite people to rebellion or spread "inaccurate and untimely" reports that could affect the nation's economy.

Five generals overthrew the civilian government 22 months ago. They have pledged to return Turkey to civilian rule through elections to be held by the spring of 1984.

As a first step, in November

they appointed a 160-member assembly to prepare the new constitution. The draft will be debated, perhaps altered, and approved by the assembly by the end of September. Then the assembly's version will go to military rulers of the National Security Council, which may also make changes.

A final text is to be submitted to a national referendum in November.

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Speculation Grows in U.K. Of Major New Spy Scandal

(Continued from Page 1)

7,000 employees warning them not to talk to reporters.

Last month, Parliament received the report of a national security inquiry that called for tighter safeguards to protect secrets held on computer tapes at Cheltenham and stricter screening of new staff.

The inquiry was prompted by a book about security leaks in Britain's secret services by a journalist, Chapman Pincher. Mr. Pincher said Saturday that Mr. Tony and his predecessor, Sir Arthur Bon-ell, are key figures in the breaches and will be asked to report on the allegations.

The Sunday Express newspaper linked the leaks to Barry Prudom, a multimillionaire who was killed by police at Malton, Yorkshire, two weeks ago after an 18-day search for him.

Immediately after Mr. Prudom's death, police said there were suspicions that he could have been a spy. Three of the killer's attacks took place close to highly sensitive communications installations.

Catholic Is Killed With Shot to Legs In Ulster Attack

The Associated Press

LONDON — A hooded gunman burst into a home and fatally wounded a Roman Catholic man in what appeared to have been an attempt at punishment that went wrong, the police reported.

A police spokesman said that three or four men shot the victim, identified as Colin Carey, 29, in the legs. Mr. Carey died on the way to a hospital, authorities said. No group claimed responsibility for the attack, but the police spokesman said the outlawed Irish Republican Army was suspected. Wounding in the legs, or "knock-knapping," is usually intended as a nonfatal punishment for a wide range of perceived offenses against one of Northern Ireland's guerrilla groups.

Amazon Indians Said To Kill 2 Researchers

United Press International

SAO PAULO — Two anthropologists trying to make contact with a remote tribe of Brazilian Indians were reported to have been killed and speared to death. "Reports reaching Sao Paulo said that the two men were attacked by

Assembly Election Oct. 20

LONDON (AP) — The election of an assembly of 78 seats to restore partial autonomy to Northern Ireland will be held Oct. 20.

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Eva Nordlund, left, a Norwegian organizer of Peace March-82, joins hands with Nina Terekhova, an official of the Leningrad chapter of the official Soviet peace committee. Peace March-82, with members from throughout Scandinavia, and Soviet citizens held a rally Sunday in Leningrad.

2 Soviet Dissidents Reported Held As Foreigners Hold Peace March

Compiled by Our Staff From Dispatches
MOSCOW — Authorities have jailed two members of Moscow's only independent anti-nuclear group in an effort to deny them contact with Scandinavian peace marchers, a member said Sunday.

The 200 Scandinavians, members of Peace March-82, staged an anti-nuclear parade Sunday morning in Leningrad.

Yuri Medvedkov and Yuri Khromopulo were arrested Friday, tried and sentenced to 15 days in jail on a charge of hooliganism, Olga Medvedkov said.

The couple and Mr. Khromopulo are members of an 11-person nonofficial peace committee which has been harassed by Soviet authorities since its founding in May.

Mrs. Medvedkov said, "Doubtless, this matter was fabricated against two members of the peace group, two professors, to isolate them from the peace march." Four original members of the group

have been granted exit visas and another one was put under house arrest.

The sentence means the two men will be in jail until the Scandinavian peace demonstrators, in the Soviet Union on an official visit, have left the country.

During the Leningrad march, clusters of Soviet citizens held out flowers and waved specially printed "peace march" flags along the three-mile (five-kilometer) route the Scandinavian marchers followed to a central park.

There, more than 1,000 Russians joined them by bus, and they staged a joint rally. Many of the Russians carried placards protesting U.S. arms policy and condemning the neutron bomb.

A war veteran addressing the crowd that joined the peace marchers, referring to a statement by President Leonid I. Brezhnev, urged that "governments of other nuclear powers follow Brezhnev's

recent pledge to refrain from the first use of nuclear weapons. Such actions would create a reliable barrier against nuclear war."

A Swedish correspondent accompanying the marchers said, "The general attitude of the Scandinavians was disappointment that they could not march farther, that there were so many police around, that it seemed to be an organized rather than a spontaneous event."

Some of the Scandinavians are also grumbling that their itinerary is dominated by sightseeing, with very little contact with Soviet citizens or officials except for representatives of the state-sanctioned peace committee, the correspondent said.

The marchers, from Denmark, Norway, Sweden and Finland, are scheduled to begin a five-day visit to Moscow on Wednesday. They are scheduled to conduct demonstrations similar to the one in Leningrad in Moscow, Minsk, Kalinin and Smolensk.

Soviet Fasters' Chances of Success Seem to Be Diminishing

By Serge Schmemmann
New York Times Service

MOSCOW — Self-starvation by average Russians as a means of extracting visas from the Soviet Union may seem, at the least, ill-advised.

Neither Yuri V. Balovlenkov nor Sergei L. Petrov, now waging hunger strikes to gain permission to join their wives in the United States, have the international clout of an Andrei D. Sakharov. Besides, the Soviet government seems in no mood to appease the United States and is not given to philanthropic impulses.

The hunger strikes are dangerous and desperate. The two men may die; they may have done serious damage to their health already. But the extraordinary premium the Kremlin has placed on any passage across its borders and its sensitivity to international opinion have brought about all kinds of bids by these desperate to leave to bring their plight to the world's attention. Enough have succeeded to ensure there will be more, and more dramatic, attempts.

The results have been far from constant. While some "refused-niks" have won exit papers after striking up relationships with Westerners or becoming active in dissident campaigns, others, such as Viktor L. Brailovsky and Ida Nudel, have been punished with long stints in internal exile. The Pentecostals who took refuge in the U.S. Embassy four years ago are still there, despite reams of publicity.

The hunger strikers, however, have posed a different challenge to Soviet authorities. When Mr. Sa-

kharov, a Nobel Peace Prize winner, and his wife, Yelena Bonner, declared last year that they would not eat until their young ward was allowed to emigrate, the authorities found no answer except to give way after 17 days. Once the ward, Liza Alexseyeva, was off to Boston to join her husband, it was only a matter of time before others seized on the tactic.

The "divided families" group — five Russians whose spouses live in the West — were next, and at first the authorities gave way. One striker was allowed to leave and the others received assurances they would soon be allowed to follow. But then Mr. Petrov, who is not a member of the group, began his fast, and 10 days ago, the authorities finally drew the line.

A senior official of the passport office, Sergei A. Fadeyev, called in foreign correspondents and told them neither Mr. Petrov nor Mr. Balovlenkov, despite earlier promises to the latter, would get their visas. He also accused the U.S. Embassy of inciting their desperate action and of interfering in Soviet affairs.

The two strikers vowed to continue their fast to the death, the U.S. Embassy rejected the charges, and the showdown began.

But whatever happens to the two men, attempts by others seeking to leave for religious, ethnic, political or personal reasons are certain to continue as long as the Soviet Union retains its attitudes toward travel.

That attitude is as complex as the Soviet view of the outside world in general. There is the presumption that anyone who glimpses the glitter of the West is likely to be permanently subverted. The corollary is an almost pathetic yearning by almost every Russian to travel abroad, coupled with a suspicion that anyone who wants to leave for good must be a traitor.

There is an old joke about the man who is asked what he would do if the borders were opened. "Climb a tree," he says. Why? "So as not to be trampled."

Family Is Reunited
MOSCOW (AP) — Hunger striker Sergei Petrov was reunited with his American wife Sunday in Moscow on the 47th day of his protest fast to gain a Soviet exit visa, the second such case in two days.

Mr. Petrov's wife, Virginia, of Roanoke, Va., arrived in Moscow by commercial jetliner on a 10-day visa. A U.S. consular officer met her at the airport and drove her to Mr. Petrov's apartment in northern Moscow.

The 29-year-old freelance photographer, who said he was too weak to go to the airport, vowed to continue his hunger strike until Soviet authorities allow him to emigrate to the United States. The couple met when she was a language student in Moscow and married in 1981.

Another Soviet hunger striker, Yuri Balovlenkov, 33, spent his first full day Sunday with his 2-year-old daughter and American wife following their arrival Saturday in Moscow on a 10-day visa.

Mr. Balovlenkov is in the 14th day of a hunger strike aimed at winning the right to live with his wife, Elena, of Baltimore, and their daughter, Yekaterina.

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Elena, Yekaterina and Yuri Balovlenkov were together for the first time Sunday at Mr. Balovlenkov's apartment in Moscow.

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West Is Said to Clear Entry for Interned Poles

By Dan Fisher
Los Angeles Times Service

WARSAW — The United States and at least two West European nations have cleared the way for Poles interned by the martial law regime of Gen. Wojciech Jaruzelski to immigrate as political refugees, diplomatic sources say.

Meanwhile, the resignation Friday of the hard-liner Stefan Olszowski, Gen. Jaruzelski's chief political rival, from his post as chief of the Communist Party propaganda apparatus, was certain to increase rumors that the government is about to make major concessions to promote what it calls "national accord." A gesture of some kind is expected before the country's National Day on Thursday, but how significant it will be is not known.

Easing of U.S. and West European policies on admitting political refugees followed criticism of what some see as Western foot-dragging on the question of granting asylum to Solidarity trade union activists and sympathizers who have been imprisoned by the Polish government as potential threats to the state.

The exact number of internees and their family members who have already left Poland is unknown, although it is clearly a relative handful compared with the numbers that have indicated they are anxious to leave.

Gen. Jaruzelski first told West European diplomats of the government's decision to allow internees to emigrate less than three weeks after martial law was declared last Dec. 13. However, the United States and other countries quickly branded the action as cynical and inhumane since, in effect, it forced Poles to choose either prison and harassment at home or involuntary exile abroad. Also, Western diplomats conceded privately, their governments were reluctant to assist a regime they oppose by taking its political opponents off its hands.

Polish authorities have approved emigration passports for 653 former internees and 1,058 members of their families, Gen. Czeslaw Kiszczak told the weekly newspaper Polityka. However, he said, because of "difficulties created by the consular authorities of Western states" only 21 of those have actually left the country.

However, figures supplied by Western diplomats are somewhat higher. They say that more than 1,000 former and current internees have approached Western embassies about emigrating. Including family members, the number seeking political refugee status may be more than 2,500 and Western embassies say more continue to show up daily.

An official of the U.S. Embassy here said that no more than six or seven families have left so far under a special U.S. program institut-

ed last month. Diplomatic sources said that about 30 former internees have left for France and that West Germany is also admitting a few.

Mr. Olszowski's resignation as chief of the party's propaganda apparatus was announced Friday following a two-day meeting of the Communist Party's policy-making Central Committee in the party's most important leadership change since martial law was declared in December. While Mr. Olszowski remains a member of the 15-man Politburo, his removal from the propaganda post strips him of an important power base.

Persistent Rumor
The official press agency PAP said that Mr. Olszowski, 50, resigned "in connection with his transition to work in the state apparatus." The agency did not elaborate, but one persistent rumor has been that Mr. Olszowski would take a foreign affairs post, possibly that of foreign minister. He held that job once before during the 1970s.

While important, any post in the Foreign Ministry would not give him the direct daily influence over the country's political life that his party job provided.

While clearly a setback, the change does not necessarily mark the end of Mr. Olszowski's influence. He is considered highly ambitious, relatively liberal in eco-

nomics but an orthodox Marxist in politics. He has been downed before, having once been kicked out of the Politburo by Edward Gierek when he was party chief.

The leading liberal in the Politburo also lost a key post in Friday's shuffle. Hieronym Kubiak, an academician and former Central Committee secretary in charge of cultural affairs, resigned the cultural post "to devote himself to scholarly work," the press agency reported.

Diplomatic analysts here suggested that Mr. Kubiak's removal was forced on Gen. Jaruzelski as the price for Mr. Olszowski's demotion.

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Left-Wingers in Schmidt's Party Attacking His Policies, Character

By John Vinocur
New York Times Service

BONN — Leading members of the left wing of the Social Democratic Party have unleashed a series of unusual public and personal attacks on Chancellor Helmut Schmidt.

The vehemence of the accusations seems to indicate both that the attacks regard the chancellor's growing political fragility and their interest in positioning themselves advantageously for the post-Schmidt era.

The reproaches came from Oskar Lafontaine, the mayor of Saarbrücken and a member of the party's national executive committee; Günter Gans, who was Mr. Schmidt's chief representative in East Berlin until he was relieved in 1980; and Johannes Strasser, a party theoretician.

The left wing of the party has been consistently contemptuous of what it sees as Mr. Schmidt's insufficiently socialist approach and his support of NATO defense policy, but it had refrained from direct personal attacks.

Contempt Is Clear

Mr. Gans, in an article, blamed Mr. Schmidt for eliminating all chances of victory in the national elections in 1964. He said the chancellor had made "irrevocable compromises with the Social Democrats' coalition partner, the Free Democrats, to stay in power. With clear contempt, Mr. Gans asked if Mr. Schmidt were a "Helmut von Papen" — a reference to Franz von Papen, a chancellor in the Weimar Republic regarded by historians as having helped open the

way for the Nazi takeover of power.

One of Mr. Gans' attacks was doubly insulting. He not only wrote that Mr. Schmidt is "stupid" without principle but also suggested that the chancellor appears to be rethinking his allegiance to the NATO decision to deploy U.S. Pershing-2 and Cruise missiles at the end of 1983 if talks with the Soviet Union in Geneva are not successful.

But, Mr. Gans said, Mr. Schmidt started too slowly on the missile issue, and "by getting in the swim too late he is hobbled by his earlier ties."

Statements Cause Upset
Mr. Lafontaine, 38, is a vigorous campaigner against the NATO missile decision. His criticisms of Mr. Schmidt caused a furor.

In an article in Stern magazine, Mr. Lafontaine was quoted as having said: "Helmut Schmidt keeps on talking about feelings of duty, faithfulness, calculability, practicality and steadfastness....

"Those are secondary values. Said very precisely: You could run a concentration camp with them. Those are secondary values that you reach for when you haven't come to terms with what it's all about, that is, the preservation of life."

Mr. Lafontaine said later that the remark "has nothing to do with the chancellor" and that it was made in a discussion of a book.

Party Rebuttal

One of Mr. Schmidt's closest party and parliamentary allies, Egon Franke, who is minister for Inter-German Relations, reacted

to Mr. Lafontaine's remarks by saying, "I'm ashamed that there is such a man in the Social Democratic Party."

Mr. Lafontaine recommended in the article that "the Social Democrats get out of the government in Bonn. The way things are, the party's regeneration is only possible in the opposition."

The criticism was carried further in the party newspaper, Vorwärts, by Mr. Strasser, who said that the coalition is ruining itself and behaving as a protector of the privileged in West Germany.

"The truth is," he said, "that the coalition was a sunny-day coalition. It functioned only by high economic growth rates."

Firm Seeks to Clear Brandt

BONN (AP) — A large West German manufacturing concern has written to the public prosecutor's office here in an attempt to clear former Chancellor Willy Brandt from implication in a bribery scandal, a spokesman for the firm said.

The letter, from the Düsseldorf firm of Friedrich Flick, says that Mr. Brandt received no money from the firm, the spokesman said.

Earlier this month, the magazine Der Spiegel reported that Mr. Brandt's name and the names of 40 other prominent politicians had been on a "payoff" list that prosecutors found in a search of Flick offices as part of a wide-ranging bribery investigation.

Mr. Brandt, chairman of the Social Democratic Party, has denied receiving any money from Flick.

Fare Subsidy Supported for Berlin Flights

The Associated Press

BERLIN — Representatives of the three Western powers in Berlin — the United States, France and Britain — have objected to West German plans to stop subsidizing air traffic between West Berlin and West Germany, a Berlin newspaper has reported.

The Berlin Tagesspiegel said Saturday that Allied officials fear that ending the subsidies would "be understood as a political signal against the only uncontrolled link between the city and the West." A spokesman for the Foreign Office in Bonn confirmed that there had been discussions with the French, British and Americans over the planned cutback, but he declined to give details.

The Bonn Cabinet agreed earlier this month as an austerity move to start phasing out the 20-percent subsidies for air fares to West Berlin. The subsidies have been intended to encourage West Germans and Berliners in the Western-controlled sectors to travel back and forth.

Under the government's current plans, however, the subsidies would be phased out over a five-year period beginning in 1983, when fares would jump about 4 percent. Currently, a round-trip air ticket from Bonn to West Berlin costs about 362 Deutsche marks (about \$146).

The Bonn government is trying to hold growth in its overall budget to 2 percent next year. The budget must be approved by the West German Bundestag, or parliament, before it takes effect.

There are also three rail lines and three expressways connecting West Germany and West Berlin, but travelers on these routes are subject to checks by East German security officials.

U.S. Asks to Relax Labor Standards For Ages 14, 15

New York Times Service

WASHINGTON — The U.S. Labor Department has proposed expansion of the hours and types of jobs that 14- and 15-year-olds are allowed to work in the first substantial changes in child labor regulations in more than four decades.

Labor Secretary Raymond J. Donovan said Friday that the proposal is intended to increase employment for young people, but Lane Kirkland, president of the AFL-CIO, called the proposal "a social outrage."

Mr. Kirkland added, "We have record unemployment with disastrously high rates for those between 16 and 18. At a time when their older brothers and sisters cannot find work, it is preposterous to lower the working rules for school-age youngsters."

The revisions would permit 14- and 15-year-olds to work up to 24 hours a week during full school weeks, six hours more than now. The revisions would also remove most regulations prohibiting such youngsters from cooking and baking, a major source of employment for those 16 and older.

The proposed rules, published in the Federal Register Friday, would permit the younger age group to operate switchboards and teleprinters and to wash and polish the exteriors of trucks and buses. They would also be permitted to operate data processing equipment and to fill orders in warehouses.

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U.S. Approves Export of System For Argentine Nuclear Facility

By Milton R. Benjamin
Washington Post Service

WASHINGTON — The Reagan administration, in a move that has seriously undercut the longtime U.S. effort to bring pressure on Argentina to put all its nuclear program under international safeguards, has authorized export of a computerized control system for a "sensitive" facility crucial to that country's aim of nuclear independence.

The approval of the sale by the Foxboro Company of Foxboro, Mass., of a process control system that will become the "brains" of a large heavy water plant was granted even though U.S. nuclear cooperation with Buenos Aires has been cut off because of Argentina's refusal to accept safeguards on all its atomic facilities.

A heavy water plant is classified as sensitive technology because it is the critical element in one route to production of materials that could be used in nuclear bombs.

Argentina's acquisition of such a plant, which is under construction at Arroyito and expected to come on line in 1984, would appear to take on even more significance in light of remarks by Adm. Carlos Castro Madariaga, chairman of Ar-

gentina's nuclear program, that in a radio interview three weeks ago, Adm. Castro Madariaga said, "Until today, the safeguard agreements signed by Argentina have not permitted it to undertake nuclear energy development for military purposes."

"Argentina will comply with all its obligations, but from now on reserves the right for itself to undertake the development of euphemistically so-called nonproscribed military uses."

The Reagan administration was able to authorize the export to Argentina, despite the 1978 Nuclear Nonproliferation Act. Under this act, U.S. cooperation is banned with any country that has not placed all its nuclear activities under International Atomic Energy Agency safeguards. The administration got around the ban because the control system was ostensibly sold to a Swiss firm that has the overall contract for the plant.

Carter Policy Reversed

The administration's decision marked a dramatic reversal of the policies of the Carter administration, which made a major effort to pressure Switzerland into refusing to sell Argentina the heavy water plant until it agreed to accept safeguards on all its nuclear facilities.

agreement calls for safeguards on the \$300-million plant.

The decision also would seem to suggest a willingness by the Reagan administration to exploit loopholes in the Nonproliferation Act, since the Energy Department turned down a request by Masoell International, a subsidiary of McGraw Edison, to sell valves for a heavy water plant directly to Argentina.

Senior officials of Masoell and Foxboro agreed that the valves are a far less critical component than the process control system that runs them.

Rep. Jonathan B. Bingham, Democrat of New York, who has introduced legislation that would amend the Nuclear Nonproliferation Act to eliminate such loopholes, held hearings two weeks ago at which administration officials testified that they would soon announce a more restrictive nuclear export policy.

Rep. Bingham said last week, "If these changes are not carried out in such a way as to keep nuclear technology out of the hands of countries like Argentina that are bent on making nuclear weapons, then the only source is for Con-

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Angolans never got the elections promised in the negotiations that led to independence Nov. 11, 1975. This prompted the United States,

cials. In an angry speech, he advised the white magistrate was placed in charge of the d to leave for his own safety.

Chief Buthelesi's lawyers then got a hearing before the full bench of the Natal supreme court, which

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and the estimated \$50 million spent in providing overseas allowances for the 15,000 to 20,000 Cubans in Angola.

would be stripped of South African citizenship if the deal goes through.

talizing against the Zulu leader and undermining him for his refusal to accept the nominal independence that South Africa offers to the former tribal reserves that it

Organization of African Unity and get it to put pressure on Swaziland, a member state, to keep it from participating in the South African

tion might make its way onto the agenda of the UN General Assembly in the fall.

Pierre Besse

Link: Intruder Killed

door, according to police sources and the housekeeper, Catherine VanderVeur, 69, was found bound to a chair in a bedroom. Part of the house had been ransacked, according to police.

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RECENT ISSUES		Yield					Security		Yield					Security		
		Mort		Middle Price	Ave	Cur			Mort		Prices	Max	Min	Cur		
Amst	Security	%	Max	65 1/2	14.48	15.27	\$200	World Bank (RELAND)	%	Max	Prices	Max	Min	Cur	%	Max
									8 1/4	92 May	39	14.64	15.49	15.98		
									9 3/4	14 Jun	55 1/2	13.02	13.71	14.22		
														8 1/2		

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BUSINESS / FINANCE

MONDAY, JULY 19, 1982

Page 7

Rates Decline but Rush Of New Issues Unlikely

By Carl Gewirtz
Investment Herald Tribune

PARIS — The dramatic target-busting July bulge in U.S. money supply, predicted for months by analysts and feared by market participants, failed to materialize last week.

The Federal Reserve reported late Friday that the increase for the week ended July 17 totaled \$5.9 billion, a trifling compared with forecasts that ranged as high as \$14 billion. Most important was that the increase was well below the revision of \$500 million in the previous week's decline, the latest number leaves the M-1 measure of the money supply below the upper limit of the Fed's annual growth target.

Also noteworthy was the news coming out of Washington — June industrial production down 0.7 percent and retail sales off 1.5 percent, indicating that an economic upturn is not yet in sight and fostering the view that the Fed can comfortably set about relaxing its monetary policy.

And, as happened last week, markets were rife with talk that the Fed would very soon confirm this by reducing its discount rate. The Fed's intentions will, in any event, be clarified Tuesday when Chairman Paul Volcker appears before the Senate Banking Committee.

Cost Tumbles

After the money supply report hit the news wires, the cost of overnight money in New York, which finished Thursday at just over 12 percent, tumbled to a low of 12 percent before closing at 12 1/2 percent. This triggered a decline in other interest rates, with six-month Eurodollars quoted in New York at 14 7/16 percent, down from the London closing of 14 15/16 percent.

The foreign exchange market also reacted. The dollar declined to 2.4562 Deutsche marks from 2.4775 DM at the close of European trading.

Bond prices in New York improved, and the trend is expected to continue Monday. The anticipated improvement, however, is not expected to result in any rush of new issues — at least not for top quality North American or European names. Yields in New York are at least 1/4 percent lower than in the Eurobond market, making it unattractive to borrow in Europe. On the other hand, this would also imply that Eurobond prices have considerable room for improvement to catch up to New York.

The most talked about issue last week was Mexico's, offering a record high coupon of 18 1/2 percent. Launched for an amount of \$100 million, it was increased to \$125 million and later \$150 million. Although the issue was priced last week at par, lead manager Merrill Lynch said it reserves the right until the end of this month to increase the amount to \$175 million.

Reflection of Uncertainty

This is quite unusual, and basically reflects the lead manager's uncertainty about the demand for the paper. Merrill, as is usual, is running a short position, has allocated more bonds than it has to offer — on the expectation it will pick up the paper it needs in the secondary market and thereby help stabilize the after-market quote. The price Friday was 98 3/4 bid, 99 1/4 offered.

However, if demand for the issue is real and paper is not easy to find, Merrill could find itself forced to push the price over par, making it very expensive to pick up the supply it needs. Thus, it has arranged to increase the amount by up to \$25 million if necessary.

In theory, this is a 15-year issue, but purchases can redeem the paper at par after three years, making it a three-year piece of paper renewable four times provided Mexico does not call the loan (at par) after the sixth year.

The coupon was a striking reflection of Mexico's poor credit standing, based on fears that it will be forced to reschedule its foreign debt, which totals some \$50 billion. Indeed, many analysts said they could not recommend that their clients buy the paper. It was widely assumed that the banks would take the paper for their own portfolios. They could finance the purchase by borrowing three-year Eurodollars at about 15 percent and obtain a profit of 3 1/2 percentage points. The return could be increased further, depending on how much of the 1 1/2 percent in commissions they could pocket.

The operation was widely inter-

Eurobond Yields

For Week Ended July 14

Int'l Inst. 1st term US\$	14.80 %
Int'l Inst. 2nd term US\$	14.80 %
Int'l Inst. 3rd term US\$	14.80 %
Int'l Inst. 4th term US\$	14.80 %
Int'l Inst. 5th term US\$	14.80 %
Int'l Inst. 6th term US\$	14.80 %
Int'l Inst. 7th term US\$	14.80 %
Int'l Inst. 8th term US\$	14.80 %
Int'l Inst. 9th term US\$	14.80 %
Int'l Inst. 10th term US\$	14.80 %

Market Turnover

For Week Ended July 16

Cash	4,424.9	Dollar	5,210.1
Euroclear	9,073.4	Mark	8,705.5

preted as a disguised syndicated loan, the key difference being that Mexico is paying a margin of 3 1/2 points (plus commissions) over the interbank rate, compared with the one-point margin over the interbank rate it recently paid for three-year money in the syndicated loan market.

"Once the banks have tested a spread of over three points," one banker asked, "how is Mexico ever going to go back to the loan market for less than 2 percent?"

'A Bad Mistake'

Another banker remarked simply, "Mexico had made a bad mistake to pay so much for so little."

For its part, Merrill Lynch insists that a substantial amount of the paper was sold to investors.

Another issue meriting note is the zero-coupon offering of American Medical International, a single-A-rated health care service company that owns or manages 90 hospitals in various countries. It sold \$200 million principal amount of 15-year bonds at 14 percent of face value. The capital gain earned when the bonds are redeemed at face value works out to the equivalent of an annual yield of 14.01 percent. A companion \$250 million of 20-year bonds were sold at 8 1/4 percent of face value, which provides an annual yield of 13.29 percent.

The maturities are the longest yet seen in the zero market, exceeding the previous record of 15 years.

The nature of zeros — no annual interest paid, no repayment of principal until maturity — requires that buyers have full confidence that the issuer will still be in business when the paper becomes redeemable at face value. This is why companies issuing zeros here have been limited to triple-A credits (Campbell Soup, Gulf Oil) or single-A credits that are household names, such as Sears Roebuck or Philip Morris.

(Continued on Page 9, Col.1)

Analysts Don't See Interest Rates Declining Sharply in Near Term

Compiled by Our Staff From Dispatches

NEW YORK — Despite encouraging signs in the credit market, many analysts say that a sharp interest rate decline in the next few weeks is unlikely.

Over the past few weeks, rates have fallen substantially. The overnight rate for bank loans in the federal funds market averaged 12 1/2 percent Friday, down from 13 1/8 percent in the week ended Wednesday and 14.47 percent July 7.

The Federal Reserve, moreover, has steadily added reserves to the banking system, apparently signaling its intent to loosen up a bit on its credit policy. And the \$5.9-billion rise in the M-1 money supply for the week ended July 7, reported by the Fed Friday, was smaller than many analysts feared. A larger rise would have put pressure on the Fed to tighten its curbs on credit.

Nonetheless, said Thomas Thompson, a money market economist at Crocker Bank in San Francisco, "It's important to keep in mind that the Fed wants to avoid the mistake of easing too much" and risking a new burst of inflation. Mr. Thompson said he expects the federal funds rate to remain in the 12-to-12 1/2 percent range in the weeks ahead, even though he believes the Fed this week will lower its discount rate, the fee the central bank charges on loans to other banks, to 11 percent from 12.

He expects Treasury bill rates just above 11 percent and certificate of deposit rates of around 13 percent.

Robert Parry, chief economist at



Robert J. Sanator, Fairchild Republic's senior vice president for program management, with a mock-up of the trainer.

Aircraft Contract Lets Fairchild Breathe Easier

By James Barron

New York Times Service

FARMINGDALE, N.Y. — Last fall, when many contractors began expanding production to meet the demands of the Reagan administration's increased military budget, Defense Secretary Casper W. Weinberger sharply reduced Fairchild Republic Corp.'s one prime contract: a 10-year-old agreement to make the Air Force's A-10 Thunderbolt jet fighters.

Suddenly, the 51-year-old aerospace manufacturer, a subsidiary of Fairchild Industries, became "a prime contractor with no prime contract," as one top executive put it. Within a few weeks the company laid off 1,000 employees — more than 10 percent of its assembly-line crew.

But now Fairchild Republic, whose predecessor built more than 15,000 Republic F-47s during World War II and had five prime contracts in the 1950s, is back in the military business.

Early this month, the Air Force chose Fairchild Republic over two rivals, Cessna and Rockwell, as the prime contractor for 650 new jet training aircraft. Until an appropriate name and number is assigned, the new plane is being referred to as the NGT, for "next generation trainer." It is to replace Cessna's T-37.

Cheers at Plant

The news reached Fairchild's hangar-like plant here at 4 p.m. July 2, just after most of the day shift had gone home. Those who were still around cheered.

The new contract is expected to total \$2 billion to \$3 billion over the next 10 years. Some analysts said it could mean far more business for Fairchild Republic if foreign nations buy the craft to train their pilots.

"The new contract is equivalent to swallowing a bottle of pep pills," said Jerry Gilbert, a Chemical Bank economist. Alan Bensauli, an aerospace analyst with Drexel Burnham Lambert Inc., said the contract could increase the

earnings of Fairchild Industries by 25 cents in 1985 and by as much as \$2 by 1989.

In 1981, Fairchild Industries had revenue of \$1.3 billion, up from \$906 million in 1980. Net income was \$64.3 million, or \$3.48 a share, compared with \$54.5 million, or \$4.02 a share. In the first quarter of this year, the company earned 50 cents a share, down from 94 cents a year earlier.

Relatively Unsophisticated

Some analysts, however, said the benefits of the new trainer contract may not come soon enough.

"Unfortunately the A-10 program is declining a lot more rapidly than the next generation trainer is picking up," said Eliot Fried, who follows Fairchild for Shearson/American Express Inc. "There will be a time when the military business will be at an ebb."

Fairchild Republic's new training plane is a small, relatively unsophisticated jet designed for use by "undergraduate" pilots. It has a top speed of 430 knots, can cruise comfortably at 400 knots and can climb to 45,000 feet (1,465 meters).

Fairchild Republic officials said the company had spent more than \$450,000 in its campaign to impress the Air Force and even went so far as to build two small-scale models for demonstration flights when its competitors were still at their drafting tables.

"We considered it a must win," said Robert J. Sanator, Fairchild Republic's senior vice president for program management. "There's no question it was pivotal for us."

The contract will mean an immediate expansion in Fairchild Republic's design and engineering departments. The company expects to add 1,000 jobs to its payroll by late 1983.

The A-10 had been Fairchild's main source of revenue and recognition for more than a decade. Mr. Weinberger decided to scale down the

program because he believed other attack planes were more effective than the twin-engine A-10, designed only for daylight operations.

Output was cut from 144 planes in 1981 to 90 this year. The reduced production schedule calls for fewer than 40 A-10s in 1983 and only 24 in 1984. The Air Force contract originally called for Fairchild to produce 733 planes. More than 520 have been delivered so far.

Fairchild had tried to insulate itself against the loss of the A-10 program by selling A-10s to other nations, but so far it has signed no contracts. The company has also taken on several subcontracts, which tend to be less profitable than prime contracts but provide work for production-line employees.

That is why one corner of Fairchild's cavernous main plant in Farmingdale is filled with wings for the space shuttle — a subcontract from Rockwell International Corp. In another corner are wings for the Boeing Co.'s 747, and the company manufactures three sections of the Boeing 757 at another plant in Maryland.

Financial Turbulence

In another part of the plant here are midsections of a new 34-passenger commercial airliner, known as the 340, that is the result of a joint venture with Saab, the Swedish automotive manufacturer. The idea is to build a commercial airliner that is larger than a 19-passenger Beech 1900 but smaller than full-size commercial jets.

According to analysts, these ventures may not protect Fairchild Republic from financial turbulence until the trainer goes into production. The subcontracts with Boeing tie Fairchild to the hard-hit commercial airline industry, Mr. Fried said, and there is no guarantee that the 340 will sell well.

Fairchild expects no revenue from the joint venture with Saab until 1984, but will spend \$400 million on the project by then. Saab will spend a like amount.

Executives Doubt U.S. Upturn Near

By Karen Tumulty

Los Angeles Times Service

LOS ANGELES — Hopes are dwindling that the long-awaited U.S. economic recovery may be already under way. Instead, a rush of negative statistics and reports from executives show that key sectors of the U.S. economy remain stagnant and, in some cases, may be deteriorating further.

Interviews with decision-makers in a wide range of businesses generally show a growing despair over the prospects for renewed growth.

The positive signs that prompted President Reagan to say confidently about two weeks ago that the economy is at "the beginning of an upturn" are being replaced by indications that the recovery may be further away and more fragile than previously believed.

The Commerce Department predicted in mid-June that second-quarter gross national product figures, expected to be released on Wednesday, was likely to show that the nation's output of goods and services grew slightly during the period. Such a statistic would mark a turnaround from two quarters of decline.

New Trouble Signs

But encouraging signals in April and May have given way to indications of renewed economic trouble in June.

The department announced last week that retail sales fell 1.5 percent in June after rising significantly the previous two months.

That apparent growth, they (Continued on Page 9, Col.1)

Saudis Seen Holding Line on Prices, Output

Reuters

NICOSIA — Saudi Arabia, the world's biggest exporter of oil, will probably keep its oil prices and production unchanged despite the collapse of an OPEC agreement on output cuts designed to prop up prices, the Middle East Economic Survey said Sunday.

But the Nicosis-based trade weekly added that no decision was expected before the Muslim fasting month of Ramadan ends on Thursday.

Iran and Libya demanded that their production quotas be increased within an existing OPEC framework that sets a ceiling for overall output at 17.5 million barrels daily. They wanted Saudi Arabia to reduce its production to accommodate their extra output.

The publication said that despite the failure of OPEC nations to reach an accord in Vienna on July 10 and Saudi Arabia's subsequent statement that it could adjust its prices and output as it liked, it was unlikely that the kingdom would demonstrate its power by cutting prices and increasing production.

According to the survey, Saudi Arabia has two choices: to keep its price unchanged at \$34 a barrel and maintain its output ceiling of 7 million barrels daily, or to make a token price cut of perhaps 50 cents a barrel.

The first choice was the "most likely and preferred scenario," the publication said. The second course would be ineffective and could trigger a price war, it said.

Penn Square Losses Prompt Resignations at Seattle Bank

New York Times Service

SEATTLE — Seafirst Corp., the holding company for Washington State's largest bank, has announced two resignations following severe loan losses resulting from the failure of Penn Square Bank of Oklahoma City.

The bank said Friday that John Boyd, the head of the energy unit, and John W. Nelson, the credit officer, who was Mr. Boyd's superior, had resigned.

"This is no surprise," said Ken Roberts, a securities analyst for the brokerage firm of Foster & Marshall in American Express.

Seafirst said Thursday that it had suffered its worst quarterly loss ever as a result of \$400 million in loans it made with Penn Square, which failed on July 5. Seafirst reported that it lost \$55.4 million in the second quarter and expects to post a deficit for the year as a result of raising its provisions for loan losses by \$125 million.

Seafirst's energy-related lending grew rapidly under Mr. Boyd's direction. Energy-related loans total about 6 percent of Seafirst's \$7 billion loan portfolio. The Penn Square loans accounted for only

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CURRENCY RATES

Interbank exchange rates for July 16, excluding bank service charges.

	\$	DM	FF	Y	£	S	Y	DM	FF	Y	£
Amsterdam	2.495	4.720	116.285	36.445	1.172	—	—	—	—	—	—
Bremen	0.51	81.56	19.232	6.845	3.41	—	—	—	—	—	—
Frankfurt	2.496	4.720	—	—	—	—	—	—	—	—	—
London	1.72	—	—	—	—	—	—	—	—	—	—
Madrid	1.662	2.892	28.24	28.24	—	—	—	—	—	—	—
New York	—	1.741	0.447	0.145	0.074	—	—	—	—	—	—
Paris	6.462	11.917	228.5	—	4.978	—	—	—	—	—	—
Stockholm	2.184	5.468	65.1	36.45	0.125	—	—	—	—	—	—
Zurich	—	—	—	—	—	—	—	—	—	—	—
1 ECU	0.404	0.52	2.347	6.742	128.44	2.468	—	—	—	—	—
1 SDR	1.0872	0.6328	2.707	7.571	151.22	3.982	—	—	—	—	—

	\$	DM	FF	Y	£	S	Y	DM	FF	Y	£
1 Euro	1.00	—	—	—	—	—	—	—	—	—	—
1 Australian	0.9891	—	—	—	—	—	—	—	—	—	—
1 Austrian schilling	17.20	—	—	—	—	—	—	—	—	—	—
1 Belgian franc	20.36	—	—	—	—	—	—	—	—	—	—
1 Canadian	1.329	—	—	—	—	—	—	—	—	—	—
1 Danish krona	0.250	—	—	—	—	—	—	—	—	—	—
1 Dutch guilder	0.376	—	—	—	—	—	—	—	—	—	—
1 French franc	6.55	—	—	—	—	—	—	—	—	—	—
1 German mark	1.00	—	—	—	—	—	—	—	—	—	—
1 Hong Kong \$	5.902	—	—	—	—	—	—	—	—	—	—
1 Irish £	0.7844	—	—	—	—	—	—	—	—	—	—
1 Italian L	1.366	—	—	—	—	—	—	—	—	—	—
1 Japanese yen	163.6	—	—	—	—	—	—	—	—	—	—
1 Korean won	200.0	—	—	—	—	—	—	—	—	—	—
1 Mexican peso	16.6	—	—	—	—	—	—	—	—	—	—
1 New Zealand \$	0.67	—	—	—	—	—	—	—	—	—	—
1 Norwegian krone	0.136	—	—	—	—	—	—	—	—	—	—
1 Portuguese escudo	200.0	—	—	—	—	—	—	—	—	—	—
1 Spanish peseta	166.6	—	—	—	—	—	—	—	—	—	—
1 Swedish krona	0.136	—	—	—	—	—	—	—	—	—	—
1 Swiss franc	0.75	—	—	—	—	—	—	—	—	—	—
1 Taiwan \$	20.0	—	—	—	—	—	—	—	—	—	—
1 Thai baht	20.0	—	—	—	—	—	—	—	—	—	—
1 U.S. dollar	1.00	—	—	—	—	—	—	—	—	—	—

NEW ISSUE

All these Bonds have been sold. This announcement appears as a matter of record only.

June 1, 1982



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1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

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Claims Against Bank

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Marketmakers in Eurobonds **WestLB**

Leaner Times Catch Deak-Perera in Midst Of a Major Expansion

By Kirk Johnson
New York Times Service

NEW YORK — Two years ago, the price of gold was peaking at more than \$800 an ounce, the dollar was weak, and business was booming for Nicholas L. Deak and his worldwide chain of retail foreign exchange and gold dealerships.

In the United States, where more than half of the privately held company's Deak-Perera outlets are located, foreign tourists were swarming, exchanging their francs, Deutsche marks, pounds and pesos for dollars. In the gold market, sales were heavy as buyers climbed aboard for what seemed an unending price rise.

The good times were not to continue. As gold prices fell, many investors lost money, and the volume of Deak's gold business sharply declined. The dollar strengthened and the world economy worsened. European tourists began staying at home.

Spurring an Aids

Deak & Co., parent of the Deak-Perera Group, which is the oldest and largest retail foreign exchange dealer in the United States, controlling about half the domestic market, was caught in the midst of an expansion.

Six new retail offices in four cities — San Diego, Denver, Las Vegas and Boston — opened last summer, expanding the company's domestic operations to 14 cities. The introduction of the new outlets brought the largest advertising campaign in the company's history. At nearly \$2 million, it was four times as large as that for any previous year.

Mr. Deak, the 77-year-old founder, chairman and chief executive officer, said it was a case of moving too fast too soon. His son,

R. Leslie Deak, who serves as an executive vice president, was a bit more to the point.

"For a while we were saying, 'The more the merrier,' but the costs were staggering," he said. "We're a company that's never closed an office before. We're not quite sure how to do it."

Too Fast

So far, no one at Deak is actually saying that some branches may be pruned, and since the company does not release figures, precise damage reports are not to be had. What the Deaks are saying, though, is that changes are in the works. Mostly, they come down to a de-emphasis of the retail exchange business and a sharper focus on the wholesale service side of foreign exchange, such as offering exchange services to banks.

"There's no doubt we tried to grow too fast and at the wrong time," said Robert S. Warrington, executive vice president in charge of marketing. "It was a strain on the company."

Mr. Warrington said that about 70 percent of Deak's business is in retail trade. Of that total, about 60 percent is in foreign exchange, that is, exchanging foreign currencies, primarily with tourists, for a commission. Deak has four such offices in New York and a total of 83 worldwide. The rest of its retail business is in gold; Deak estimates that it controls 20 percent of the retail gold sales in the United States. The company does very little wholesale gold trading.

The wholesale side of the business, offering financial services to other companies, is the growth area now. "We've relied a great deal on the Deak-Perera name in the past," Mr. Warrington said. "The awareness here now is that



Nicholas L. Deak, the founder, chairman and chief executive officer of Deak-Perera, stands in front of the company's foreign exchange outlet at Rockefeller Center in New York City.

the name is not so much of a priority anymore. We have to develop business contacts wherever we can."

For instance, Deak has signed a contract to provide exchange service at Bay Banks of Boston's airport branch. With Western Union, the company is negotiating a foreign exchange transfer service whereby customers can transfer funds overseas — moved by Western Union, but exchanged to the proper currencies through Deak.

Much of the new business is done anonymously. Neither the bank customer nor the person transferring funds overseas or traveling there knows that Deak is involved. The Deaks said the service is considerably cheaper than retail operations because the buyer pays the overhead; it is attractive to potential customers because Deak takes all the risk.

So far, however, customers have not exactly been pounding on Deak's door. A recent tentative agreement with Midland Bank in New Jersey fell through because the bank decided it could provide the service itself, and Deak is assuming a more aggressive sales attitude. "In the past our position had been somewhat more passive," Mr. Warrington said.

Rather, the sense of slowdown followed indications that banks had become imprudent and over-aggressive. The first sign was Chase Manhattan's report that its second quarter earnings had been wiped out by the collapse of Drysdale Securities. That appeared to be shrugged off until the collapse of Penn Square, a small Oklahoma bank, revealed that some \$2 billion of now questionable loans had been sold to banks around the United States, including Chase.

The Penn Square saga wiped out second-quarter earnings at Continental Illinois in Chicago and Seafirst in Seattle and jolted the entire financial community. More generally, U.S. Canadian and West German banks are feared to be suffering from the near collapse of major domestic borrowers. Such foreign borrowers as the Alfa Group of Mexico are also ailing. One banker said he was shocked to see the size of loans some small U.S. banks had made to Alfa. "Their exposure amounts to more than their annual profits," he remarked.

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Many Bankers Sense a Slowdown In Euromarket Lending Activity

By Carl Gewirtz
International Herald Tribune

PARIS — There is little hard evidence to support the view that lending in the Euromarket is drying up, but many bankers say they sense it and predict that the total of July Eurocurrency credits will be a shadow of the \$9.9 billion launched in June.

A sustained slowdown in bank lending at this time could be fatal for many borrowers. Developing countries are already strapped by the lingering recession in the in-

SYNDICATED LOANS

dustrialized countries, which has shaved exports and sharply reduced the prices of commodities and other raw materials these countries sell abroad.

The slowdown appears to be the result of many factors. The rescheduling of the debt of Poland and Romania, which totals some \$37 billion, and the impending rescheduling of Argentina's \$34 billion is only part of the story.

Indeed, many bankers believe that these reschedulings (which only delay payment) could, in principle, be absorbed by the banks without any great impact on the market. Lending through 1982's first half was well ahead of the record pace set in the year-earlier period — indicating that the East European reschedulings and the fallout of the Falklands war on Argentina were not exerting any particular influence on loan activity.

Community Jolted

Rather, the sense of slowdown followed indications that banks had become imprudent and over-aggressive. The first sign was Chase Manhattan's report that its second quarter earnings had been wiped out by the collapse of Drysdale Securities. That appeared to be shrugged off until the collapse of Penn Square, a small Oklahoma bank, revealed that some \$2 billion of now questionable loans had been sold to banks around the United States, including Chase.

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Most worrisome to analysts is that the slowdown is occurring despite a sharp rise in lending margins, indicating that availability of new money may not be very responsive to higher returns.

In an article in last Friday's Times of London, Geoffrey Bell, a director of the merchant bank J. Henry Schroder Wagg, called for the creation of a "\$20-billion 'safety net' to be provided by the International Monetary Fund for countries with short-term liquidity problems.

"These funds," he wrote, "would be readily available if the IMF determined that the long-range outlook of a country facing borrowing problems was satisfactory and the country was facing a basic liquidity crisis. [They] would not be used to 'bail out' banks by allowing them to reduce their exposure" but would be extended "alongside those of banks in a form of informal co-financing."

How much comfort this would actually give banks is open to question. The BIS itself and a handful of central banks have provided Hungary with \$510 million in short-term loans to carry the country along until it arranges a credit agreement with the IMF, expected later this year. But efforts by Manufacturers Hanover Trust to put together a three-year Euro-credit have been held up by the reluctance of major U.K. banks to join.

Ten banks have agreed in principle to each provide \$20 million. Pending a decision by the U.K. clearing banks, however, no formal proposal on terms has been presented to Hungary. One of the British banks is reported willing to participate if at least one other clearer joins; the others are said to be willing only if all three of the top U.K. banks are in it.

Short-Term Loan

Meanwhile, Hungary has asked the BIS for another short-term loan of \$250 million to \$300 million. Central bankers are reported to have agreed in principle to give further support to Hungary, but no decision has been made.

A rare private sector borrower from Mexico is currently tapping the market for \$400 million in a co-financing program with the World Bank. The eight-year loan, to be used to develop the Cananea copper project, would carry interest set at 2 1/2 points over the London interbank rate.

Elsewhere, Korean Electric Power Co. is asking banks for bids on terms for a \$300-million loan. Kepco is said to want a 10-year maturity, but bankers report it is likely, bankers report.

Portugal's telephone utility, CTT, is seeking bids on terms for a \$100-million loan.

Consumers Power Co. of the United States is arranging a \$100-million, seven-year loan at 1/2 point over Libor.

Mandate Awarded

In the Middle East, Gulf Petrochemical Industries Co., jointly owned by Bahrain, Kuwait and Saudi Arabia, has awarded a mandate for a \$300-million loan to a group of Mideast banks. The borrower has the choice of drawing it in Bahraini dinars or in dollars. In either case, the borrower will pay half a point over the appropriate interbank rate for eight years. A third option, assuming that most of the cost of the planned ammonia and methanol complex it is building is provided by foreign contractors, is to use the loan as a counter guarantee for interest and principal on export credits, in which case it would run for 11 years with interest set over six months at 0.55 point on 105 percent of the amount outstanding — equivalent to 0.58 points over the interbank rate.

Finland is renegotiating terms

on a \$600-million standby facility, which it is unlikely to draw on. The new terms are based on domestic U.S. rates, with banks having the option, if the loan is drawn, to use the prime rate (plus 1/4 point for the first five years and plus 1/4 point if extended for a further three years) or the adjusted rate for 90-day certificates of deposit (plus a margin of 0.8 point for the first five years and 0.85 point for the final three years). Finland will pay a commitment fee of 1/4 percent, down from 1/2 percent on the current standby. The prime option on the existing loan carried a margin of 1/2 point.

New Zealand Credit

Terms on New Zealand Refinery's \$750-million loan call for a margin of 1/2 point over Libor for the first two years and 1/4 point for the final eight years. The company will pay a commitment fee of 1/4 percent on all undrawn portions of the loan.

Equally thin margins have been put on Australia's State Electricity Commission of Victoria, which is seeking \$120 million for 15 years. It will pay 1/4 point over Libor for the first two years, 1/4 for the next seven years and 1/2 point thereafter.

The long maturities and low margins reflect the very favorable conditions that quality borrowers are able to command.

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Continental Illinois Bank (Switzerland), Zurich,

announces that the Geneva Offices of

Continental Illinois Investment Advisory Corporation

have been upgraded to a full branch effective July, 1982

Continental Illinois Bank (Switzerland)

BOOKS

CUBAN PASSAGE
By Norman Lewis. 250 pp. \$13.50.
Pantheon Books, 201 East 50th St., New York, N.Y. 10022.

BAD GUY
By Rosalyn Drexler. 180 pp. \$11.95.
E. P. Dutton & Co., 2 Park Avenue, New York, N.Y. 10016.

Reviewed by Anatole Broyard

I DON'T quite know what to call Norman Lewis' "Cuban Passage." Set in Batista's Havana, the book serves very well as a suspense novel, in which a British family undergoes its own revolution against a background of Fidel Castro's advance. On another level, it's a coming-of-age novel in which a 16-year-old boy named Dick expresses his rage at his mother's unfaithfulness to his absent father. There's something anachronistically satisfying about a boy who revenges his father and corrects his mother.

According to the dust jacket of "Cuban Passage," Lewis has traveled a great deal and, like so many British travelers, he has a talent for catching the sense of place. Havana, he writes, "must be the only capital city in the world where Woolworth's have a counter stacked with charms and voodoo paraphernalia." He even gives a satirical exposition of the political pecking order in parking a car outside the most prestigious cafe on the harbor.

Dick's father is away on business and his beautiful mother is sleeping with a Cuban named Stilson whose position in the government is so pervasive that it bears no title. Stilson is something of a hypnotist and he seduces Dick's mother by singing her the same bolero.

When Dick runs away, he meets Jerry, an American boy his age who lives on the docks in Havana and seems to know everything. Jerry advises Dick to kill Stilson, and in this violent age of ours one is startled to come across a projected killing that does not seem altogether outrageous.

But I couldn't kill anything, Dick protests, and Jerry, after running down a list of practice victims, settles on a rat. Even you, he says, could kill a rat. He knows exactly how and where to find one, and Dick, imagining it is Stilson, does indeed kill the rat most convincingly. Though I can't tell you what he does with regard to Stilson himself, I can say that once Dick locates his filial passions, he is a different boy.

Lewis has a fine ear for Cuban speech. When Dick passes some time in jail, his warder, who has designs on him, offers "shoes with acute heels, a hand-sack of coconuts, a sustain for the chest." There is a fine description of the rebels' homemade munitions, which looks like "a rhino without a horn." They wait, according to him, "in their command, without firing a shot, by simply standing still and frightening the government forces."

A Casual Graham Greene

Lewis is like a casual Graham Greene, without the genius and the metaphysics and the painstaking or agonizing character development. If you read "Cuban Passage" as a straight novel, it's a bit unfinished here and there—but as a suspense novel, it's better than most.

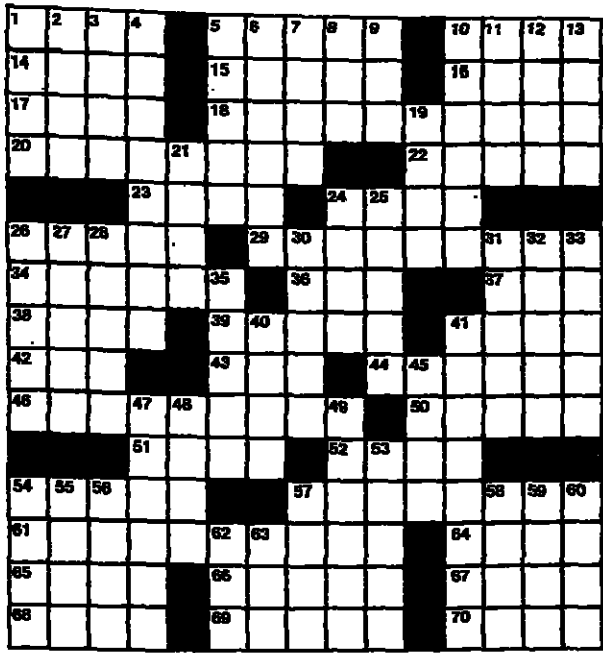
In "Bad Guy," Rosalyn Drexler has shamelessly surrendered to all of her worst inclinations, and her novel is both pretentious and over-simplified. It has so little conviction that I still haven't figured out whether it's supposed to be dead-pan comedy or dead serious. A woman psychoanalyst who tries to rehabilitate a teen-age Puerto Rican murderer by living with him hardly seems a subject for humor—yet there are what seem to be sporadic attempts at wit.

This is Drexler's sixth novel and she has won two Obies for off-Broadway plays and an Emmy for television writing. "Bad Guy" comes with dust jacket encomiums by Norman Mailer, Donald Barthelme, John Lahr, and Hilma Wolitzer, and one is reminded of Calvin Trillin's proposed law that all blurb writers declare their connection with the author.

There's nothing much that I can say about the book, except that I'm surprised at Drexler, who seems to have tried harder in other works. "Bad Guy" is the kind of novel, filled with listless improvisation, that makes you want to suggest to the author that the time may have come for her to stop and think about the art of fiction, to clean out the attic of her imagination and start all over.

Anatole Broyard is on the staff of The New York Times.

CROSSWORD

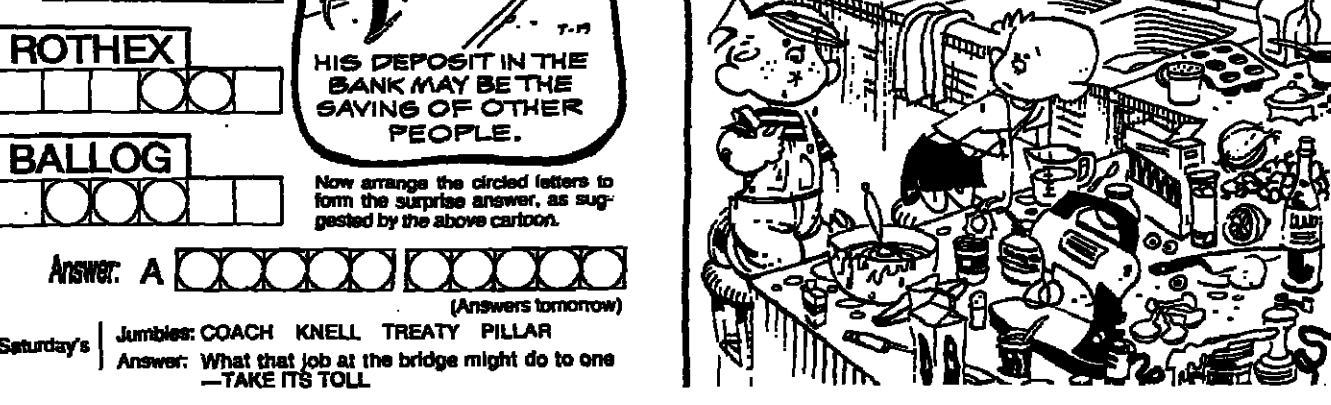
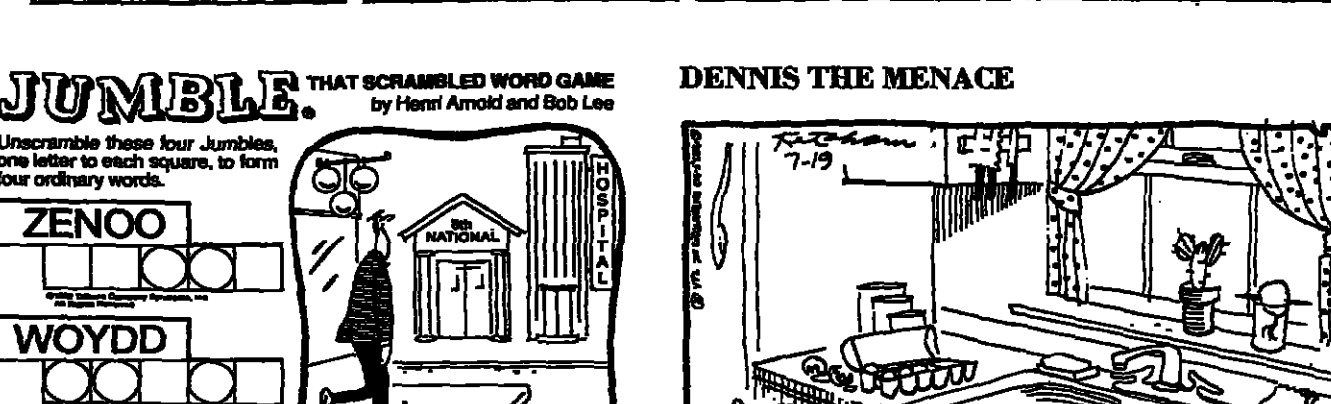


- ACROSS**
- 1 Golf stroke
 - 5 Brazilian dance
 - 10 Fly rapidly
 - 14 Winglike
 - 15 Dress carefully
 - 16 Facilitation
 - 17 Doing nothing
 - 18 Steinbeck novel
 - 20 Broad warblers
 - 22 Standish's rival
 - 23 "Mary" title
 - 24 Small opening
 - 25 Dull sound
 - 29 Married sleuths of fiction
 - 34 Abe's adjective
 - 35 "Chances" — Mathis hit
 - 37 Sorrow
 - 38 Destruction
 - 39 Another Tuffler
 - 41 "In the" — "In the" title
 - 42 Time-zone abbr.
 - 43 Caviar
 - 44 Sailed a road
 - 46 Military school since 1802
 - 50 Piece of action
 - 51 Diner sign
- DOWN**
- 1 Sea worms at times
 - 2 Ray of the
 - 3 White House worker
 - 4 College rockies
 - 5 Celebrity
 - 6 Bible peak
 - 7 Midshipman's
 - 8 Plutonic transaction
 - 9 Up: Prefix
 - 10 Antenna
 - 11 Angel, once
 - 12 "Video" translation
 - 13 Neighbor of N.C.
 - 19 Card game
 - 21 "Lights out" signal
 - 24 Persian pizle
 - 25 Standing
 - 26 Buried
 - 27 Wilson's adviser
 - 28 Textbook parts
 - 29 Winter, Fla.
 - 31 Dumbly
 - 32 Circle above
 - 33 Agonomist's purchase
 - 35 Gypsy's card
 - 40 Lane seen in a scrip
 - 41 Criminal
 - 42 Netherlands export
 - 47 Bed canopy
 - 48 Forest trail
 - 49 Bedside
 - 53 Akron-to-Detroit shipment
 - 54 Movie cutie: 1954-47
 - 55 Noli's partner
 - 56 Great hall, in Hamburg
 - 57 Goddess worshiped by Romans
 - 58 Fuss
 - 59 Yiddish or Hebrew
 - 60 Private rooms
 - 62 Dwindle
 - 63 Capet classic

WEATHER

	HIGH	LOW		HIGH	LOW
ALBUQUERQUE	71	54	LOS ANGELES	79	64
ALBANY	68	51	MADRID	79	64
AMSTERDAM	62	45	MANILA	79	64
ANAKA	77	61	MEXICO CITY	79	64
ATHENS	77	61	MILAN	79	64
AUCKLAND	65	48	MONTREAL	79	64
BANGKOK	84	70	MOSCOW	79	64
BEIRUT	84	70	MURKIN	79	64
BELGRADE	79	62	NAIROBI	79	64
BERLIN	79	62	PARIS	79	64
BOSTON	65	48	RASDAU	79	64
BREKID	79	62	RENO	79	64
BUDAPEST	79	62	SEATTLE	79	64
BUEENOS AIRES	79	62	SINGAPORE	79	64
CAIRO	84	70	ST. LOUIS	79	64
CAPE TOWN	79	62	ST. PAUL	79	64
CASABLANCA	79	62	ST. PETERSBURG	79	64
CHICAGO	79	62	ST. PETERSBURG	79	64
COPENHAGEN	79	62	ST. PETERSBURG	79	64
COSTA DEL SOL	79	62	ST. PETERSBURG	79	64
DAMASCUS	79	62	ST. PETERSBURG	79	64
DUBLIN	79	62	ST. PETERSBURG	79	64
EDINBURGH	79	62	ST. PETERSBURG	79	64
FLORENCE	79	62	ST. PETERSBURG	79	64
FRANKFURT	79	62	ST. PETERSBURG	79	64
GENEVA	79	62	ST. PETERSBURG	79	64
HARARE	79	62	ST. PETERSBURG	79	64
HILINKI	79	62	ST. PETERSBURG	79	64
HONG KONG	79	62	ST. PETERSBURG	79	64
HOUSTON	79	62	ST. PETERSBURG	79	64
ISTANBUL	79	62	ST. PETERSBURG	79	64
JERUSALEM	79	62	ST. PETERSBURG	79	64
LAS PALMAS	79	62	ST. PETERSBURG	79	64
LIMA	79	62	ST. PETERSBURG	79	64
LONDON	79	62	ST. PETERSBURG	79	64

Readings from the previous 24 hours.



BRIDGE

By Alan Truscott

SWITCHING systems is rather like switching autos. Reading the manual and knowing where the controls are is not enough. If you want to avoid skids and other misadventures you must be able to react appropriately in a wide variety of situations.

A bridge partnership that decides, say, to abandon standard bidding methods in favor of the Precision Club must make a number of small natural adjustments. Some bids will now be weaker or stronger, or they will be forcing instead of nonforcing—or vice versa. Or they will show an unexpected suit length.

The one-club opening, on the diagramed deal, was strong and artificial, and East made a natural overcall in clubs. South doubled to show moderate values, and North bid his hearts.

South should now have bid two no-trump, but she bid two spades, unaware that this would systematically promise a five-card suit. As a result, her partner eventually decided to bid a spade slam, rejecting the diamond fit that had been uncovered because the scoring was by match points.

Six diamonds would have been a sensible contract and would have succeeded without much difficulty. Six spades was terrible, as South discovered when a club was led and the dummy appeared. She decided correctly that there was very little hope unless the trumps were divided evenly, and proceeded on that assumption.

The opening lead was ruffed in dummy and, in the key play, a low heart was led. East put up the heart king and did the best he could by returning the club ace. This forced South to ruff in the dummy, blocking the trump suit. But after ruffing, she simply cashed to spade ace, ruffed a heart and drew trumps. The diamond losers from dummy were discarded and dummy scored the last six tricks in the red suits.

Making this rather improbable slam gave North-South all the available match points and left East-West, who had done nothing wrong with the feeling they had been victimized by the fates.

NORTH (D)
♠A78
♥AQ754
♦AK109
♣—

WEST
♠953
♥8632
♦J82
♣752

EAST
♠J102
♥K10
♦Q7
♣AQJ1084

SOUTH
♠KQ84
♥J7
♦8643
♣K963

Both sides were vulnerable. The bidding:

North	East	South	West
1♣	2♣	3♣	Pass
2♥	Pass	2♦	Pass
3♦	Pass	4♦	Pass
5♦	Pass	5♦	Pass
5♦	Pass	6♦	Pass
6♦	Pass	Pass	Pass

West led the club seven.

RADIO NEWSCASTS

BBC WORLD SERVICE

Hours of 0000, 0200, 0400, 0600, 0800, 1000, 1200, 1400, 1600, 1800, 2000, 2200, 2400 GMT					
Western Europe	1130	1230	1330	1430	1530
Eastern Europe	1230	1330	1430	1530	1630
North America	1330	1430	1530	1630	1730
South America	1430	1530	1630	1730	1830
Asia	1530	1630	1730	1830	1930
Africa	1630	1730	1830	1930	2030
Oceania	1730	1830	1930	2030	2130

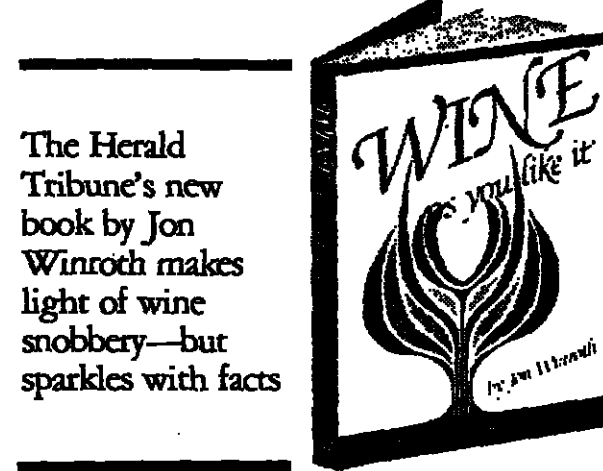
RADIO CANADA INTERNATIONAL

Hours of 0000, 0200, 0400, 0600, 0800, 1000, 1200, 1400, 1600, 1800, 2000, 2200, 2400 GMT					
Western Europe	1130	1230	1330	1430	1530
Eastern Europe	1230	1330	1430	1530	1630
North America	1330	1430	1530	1630	1730
South America	1430	1530	1630	1730	1830
Asia	1530	1630	1730	1830	1930
Africa	1630	1730	1830	1930	2030
Oceania	1730	1830	1930	2030	2130

VOICE OF AMERICA

Hours of 0000, 0200, 0400, 0600, 0800, 1000, 1200, 1400, 1600, 1800, 2000, 2200, 2400 GMT					
Western Europe	1130	1230	1330	1430	1530
Eastern Europe	1230	1330	1430	1530	1630
North America	1330	1430	1530	1630	1730
South America	1430	1530	1630	1730	1830
Asia	1530	1630	1730	1830	1930
Africa	1630	1730	1830	1930	2030
Oceania	1730	1830	1930	2030	2130

«Wine is meant to be enjoyed, not analyzed to death.»



The Herald Tribune's new book by Jon Winroth makes light of wine snobbery—but sparkles with facts

This quotation is from Jon Winroth's new and highly professional book, in which he rejects the windy pontification so often associated with wine buying, wine tasting and wine serving. Witty, chatty, and often irreverent, this is a book of our time. For those who know wines and those who don't, there's much to be learned from WINE AS YOU LIKE IT. Order a copy today for yourself—and some extras while you're at it. A perfect gift, for friends or family.

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JUMBLE.

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

ZENOO
□ □ □ □ □ □ □ □

WOYDD
□ □ □ □ □ □ □ □

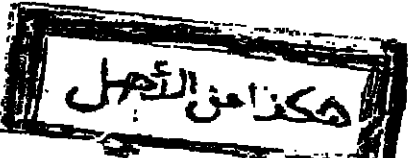
ROTHX
□ □ □ □ □ □ □ □

BALLOG
□ □ □ □ □ □ □ □

Answer: A □ □ □ □ □ □ □ □ (Answers tomorrow)

Saturday's Jumbles: COACH KNELL TREATY PILLAR
Answer: What job at the bridge might do to one — TAKE ITS TOLL.

DENNIS THE MENACE



SPORTS

Watson Beats Price by a Shot To Win 4th British Golf Title



Tom Watson chipping out of a bunker en route to victory.

United Press International
TROON, Scotland — Tom Watson won his fourth British Open golf championship Sunday, beating Nick Price by a shot when the South African missed a 6-foot putt on the 17th hole.

Watson, who finished half an hour before Price, became the fifth golfer to win both the U.S. and British Opens in the same year and the first to do so since Lee Trevino in 1971.

One month ago he won his first U.S. Open, also by a single stroke, from Jack Nicklaus.

"Different Scenario"

"This one was a different scenario," Watson said. "I really hadn't won that way. I feel sorry for Nick Price. He played very well and did a commendable job."

Watson, the tournament favorite, also is only the second American, following Walter Hagen, to win the British championship four times, and all of his victories have come in Scotland.

Watson, who had started the day three shots behind Bobby Clampett, eagled the 11th hole and turned in a 2-under-par 70 for a

72-hole total of 4-under 284. First place was worth \$57,600.

Price, listed as 150-1 shot before the tournament, took command when he birdied three consecutive holes to start the back nine, giving him a 3-shot lead when Watson bogeyed the 15th hole.

But although Watson could not get the birdie he so desperately wanted on the final three holes, barely missing a 20-foot attempt on the 18th, Price yielded to the immense pressure with a double bogey on the 15th hole, creating a tie with Watson.

With prospects looming for an 18-hole playoff Monday, Price bogeyed the short 17th hole when his six-foot putt rolled to the right, and on the final hole he lost his final chance by missing a 35-foot attempt for a birdie.

The 25-year-old Price, whose most notable successes have been the 1980 Swiss Open and the 1981 South African Masters, wound up with a 73 for 285, tying him for second with Peter Oosterhuis, who had a 70.

Clampett, the leader for the first three rounds, fell out of contention early with five bogeys on the front

nine and he finished with a 77 for 288, where he was tied with Jack Nicklaus, who closed with a fine 69. At one point Saturday, Clampett had led the field by seven shots.

There was a four-way tie at 286 among Tom Purtzer and Nick Faldo, who both finished with 69, Masahiro Kuramoto with a 71, and Des Smyth with a 73.

Tied for eighth place at one-under 287 were Fuzzy Zoeller (70) and Sandy Lyle (74). Arnold Palmer, who opened the tournament with a 1-under-par 71, finished with a 9-over-par 297.

Clampett, who had struggled all through Saturday when he shot 78, lost his lead immediately when Price birdied the first hole with a 20-foot putt to draw even.

Price then sank a 50-footer for another birdie on the second to move in front by two shots when Clampett got the first of his bogeys. But the 22-year-old Californian drew even again with a birdie on the fourth as Price bogeyed.

A 12-foot birdie by Price on the seventh hole gave him a three-shot lead as Clampett was having a lot of difficulty with his tee shots, but then Watson, who had only one birdie on the front nine, at the fourth hole, dramatically stepped into the picture with his eagle on the par-5, 481-yard 11th hole. A superb approach had left him with only a three-foot putt.

When Price bogeyed the ninth hole, Watson gained the lead for the first time. But Price responded with birdies on the 10th, 11th and 12th holes to go up by three shots.

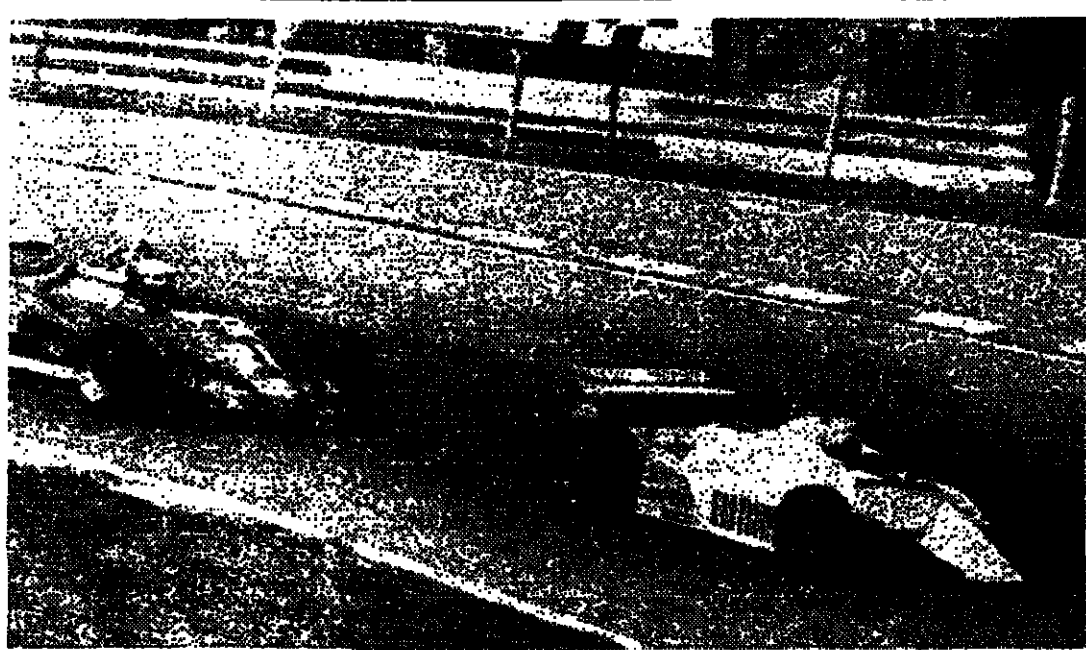
Then came the disastrous 15th where Price hooked his tee shot, sent his second shot into a bunker 40 yards from the green, hit the face of the bunker with his third shot, advanced the ball only a few feet, and then the green with his fourth shot and then two putts.

"I played the last six holes very badly," Price said. "I didn't drive the ball straight and just let it slip. It's typical of the way I was playing six months ago."

Price said that when he reached the turn he noticed that Watson had dropped back to four under. "I thought this was my chance after my three birdies in a row. I thought, just let me play nicely from here on in."

The only other players to win both the British and U.S. Opens in the same year were Bobby Jones in 1926 and 1930, Gene Sarazen in 1932, Ben Hogan in 1953 and Trevino.

Watson now has won seven major championships although he has yet to capture the PGA.



Niki Lauda racing in front of Didier Pironi in the British Grand Prix.

Lauda Captures British Grand Prix; Pironi Takes Over Lead in Standings

United Press International
BRANDS HATCH, England — Niki Lauda turned the British Formula One Grand Prix into a one-man show Sunday, cruising home to victory more than 25 seconds ahead of second-placed Didier Pironi of France.

Lauda, the Austrian who won the 1976 British Grand Prix on the same track, drove superbly in his red-and-white McLaren, and after taking the lead on the 10th of the 76 laps he never looked back.

At one stage, he held a 43-second lead over the rest of the field, and although he visibly eased up over the closing stages it was clear he could not be caught.

Patrick Tambay of France, in his second Formula One drive this season, finished third behind his Ferrari teammate while Pironi took over the lead in the world championship standings.

Lauda completed the 198.63-mile (319.67-kilometer) race in an hour 35 minutes 33.812 seconds at an average speed of 124.7 mph (200.68 kph) to record his second triumph of the season following victory at Long Beach, Calif., in April.

It was the 19th Grand Prix victory of Lauda's career, which restarted this season after a two-year retirement, and it put him into third place in the drivers' standings on 24 points.

Only 10 of the 26 starters completed the race, with a crash on the start line ending the hopes of Rene Arnoux, Riccardo Patrese and Teo Farni.

The crash occurred after

Patrese's Brabham stalled at the start light turned to green and he was struck by Arnoux's Renault. Debris damaged Farni's Toleman, and Keke Rosberg, the pole-sitter, was forced to start the race in his Williams at the back of the field after his engine failed to start at the beginning of the warm-up lap.

Watson Out Early
A crash in the early stages of the race also ended the hopes of Lauda's McLaren teammate, John Watson, of repeating his British Grand Prix victory of last year. Watson was involved in a collision with Chico Serra's Fittipaldi and the Osella of Jean-Pierre Jarier.

The challenge of the turbo-charged Brabhams disappeared totally when Nelson Piquet, the Brazilian world champion, was forced to retire after leading for the first nine laps during which time he had opened a 10-second gap over Lauda.

Lauda was quick to acknowledge that his subsequent victory came as a direct result of Piquet's retirement.

"It was very fortunate for me because the trouble with the turbos is that it is very hard to overtake them," Lauda said. "I was able to out-accelerate Pironi at the start and had more good luck when Nelson broke down. Everything went fantastically well for me today."

Once Lauda took the lead, he gained seconds lap by lap. The real dogfighting came for second, third and fourth places, and Pironi was engaged in a fierce exchange with

Derek Warwick of Britain in the middle stages of the race.

Pironi had to fight off attacks from De Angelis to hold onto second position and gain the six points that took him to the lead in the championship, before his teammate Tambay edged De Angelis out of third place on the last lap.

Daly followed up his fifth place at Detroit and Zandvoort this season with the same result following a gutsy drive that included a tire change and the loss of part of his Williams' offside air.

The most disappointed man Sunday was Rosberg. After gaining pole position for the first time in his career, nothing went right for the 33-year-old Finn and he was eventually forced to retire 26 laps from home when his Williams developed incurable mechanical problems.

BRITISH GRAND PRIX
1. Niki Lauda, Austria, McLaren, 1:35:33.812.
2. Didier Pironi, France, Ferrari, 1:35:59.238.
3. Patrick Tambay, France, Ferrari, 1:36:12.548.
4. Elio de Angelis, Italy, Lotus, 1:36:15.054.
5. Derek Daly, Ireland, Williams, 1:36:15.448.
6. Alain Prost, France, Renault, 1:36:15.448.
7. Bruno Giacomelli, Italy, Alfa Romeo, 1 lap behind.
8. Brian Henton, Britain, Tyrrell, 1 lap.
9. Mauro Baldi, Italy, Arrows, 2 laps.
10. Josiah Aspin, West Germany, March, 3 laps.

FORMULA ONE STANDINGS
1. Pironi, 25 points.
2. Niki Lauda, Britain, 24.
3. Lauda, 24.
4. Keke Rosberg, Finland, 21.
5. Prost, 19.
6. Riccardo Patrese, Italy, 19.
7. Nelson Piquet, Brazil, 17.
8. De Angelis, 13.
9. Elio de Angelis, Italy, 10.
10. Eddie Cheever, U.S., 9.
11. Nigel Mansell, Britain, 7.
12. Daly, 7.

Bobby Clampett — A Mystery Out in the Open

By Dave Kindred

Washington Post Service
TROON, Scotland — As soon as the plane landed last week, Bobby Clampett drove over to Troon Golf Club. He had been flying all night. He should have been sleeping. Instead, he wanted to tee it up.

Scotland, where they invented golf. Where Old Tom Morris won four British Opens a century ago. First thing off the plane, Bobby Clampett hurried to Troon, going past the links of Prestwick Golf Club, where they played the first dozen Opens.

"I thought, 'What was it like in 1860 here?'" Clampett said with a child's enthusiasm. "How would the people have gotten to the golf course? Taken a horse and buggy?"

Before he teed off a 6-over-par 18 in the third round, and then shot a 77 Sunday to finish the tournament at par 285, Clampett was the talk of the tournament. He was 11 under par after 36 holes and the championship was all but conceded to him.

For all we know about Bobby Clampett, and the basic information is beautiful, we still know nothing. He was a mystery out in the Open. He has a monk's devotion to the High Tech study of the physics of the golf swing; yet he was hailed off a U.S. Open course as a blaspheming comic for hitting balls while on his knees. Victory is not as important as "the mental challenge to yourself," he says; yet he confesses that "the feeling is there" that he can win major championships.

Some of these contradictions are the baggage of youth not yet sure what to do or how to do it.

Clampett's little side trip to Troon, straight off the plane, reveals more — both his consuming passion with the game he met at age 10 and the restless curiosity that moves him to keep a daily journal. That passion and curiosity are the only things we can identify with certainty about Clampett, except that the kid can flat play lights out.

At 18, he won the California State Amateur, led the U.S. Open for a moment and was an all-American at Brigham Young University (where in the Mormons' backyard he would become a student of Christian Science).

On tour barely two full seasons, he has finished second four times while winning more than \$300,000. Last month, as Tom Watson and Jack Nicklaus wrestled for immortality in the U.S. Open, Clampett finished third — and had a shot to win as late as the 12th hole on Sunday.

Arnold Palmer is 52 and Jack Nicklaus is 42. Tom Watson is 32 and Bobby Clampett is 22. Somewhere, there is a 12-year-old who will be in a sentence with Bobby Clampett someday.

Johnny Miller says Clampett has the best swing in golf. It is marked by control so steady the swing seems to have been smoothed into place. The take-away is slow and smooth, with extension that gives the little guy (5 feet 10, 140 pounds) unusual power. At the top of his low-through, Clampett allows not even the

slightest wiggle of the club. It is as if we have seen a machine strike a golf ball.

The machine analogy comes easily, for Clampett ascribes much of his success to the teachings of a Carmel Valley (Calif.) Ranch golf pro, Ben Doyle, a disciple of "The Golfing Machine," an instruction book by Homer Kelley.

"I'm a mechanic more than an artist," Clampett said. "I always try to develop rather than let it happen naturally. Ben Doyle, since I was 13, has done all the film work on my swing. I have worked hard to build a golf swing with Ben. He has perhaps an idealistic view of the swing. When I was a junior, he took swing photographs of the best players — Arnold Palmer, Jack Nicklaus, Johnny Miller, Ben Hogan, Sam Snead, Byron Nelson.

"In the concept of 'The Golfing Machine,' we tried to analyze each component of their golf swings and find out why they're the best players in the world. I'm writing a book now in my spare time. It's a continuation of 'The Golfing Machine.' My book explains the model I'm looking for."

The more the assembled journalists listened to such wanderings, the more they put together a picture of Bobby Clampett as the robot pro. He may be a machine. Take away the curly blond hair ("his hair is a cross between a young Albert Schweitzer and Harpo Marx," said a BBC commentator) and pull off the Barry Manilow mask — and, *voila*, you can see the computer tactician that caused this machine, Bobby Clampett, to strike a golf ball perfectly.

SPORTS BRIEFS

Hinault Wins Individual Time Trial

MARTIGUES, France — Bernard Hinault, greeted by cheering crowds, Sunday won the 14th stage individual time trial in the Tour de France road cycling race, retaining the overall leader's yellow jersey. Hinault, shooting for his fourth Tour victory in five years, completed the 33-kilometer circuit around this small Mediterranean coastal city in 45 minutes 12 seconds.

Hinault once again demonstrated his speed in individual time trials despite the suffocating heat that left him out of breath at the finish line. Jan Van Houwelingen of the Netherlands took second place, 48 seconds behind the Frenchman, while Daniel Gisiger of Switzerland was third, 53 seconds back.

Davey Moore in TKO Over Kalule

ATLANTIC CITY, N.J. — Davey Moore, in only his 11th professional bout and fighting past the seventh round for the first time, retained the World Boxing Association junior middleweight title Saturday by stopping Ayub Kalule of Uganda in the 10th round.

Moore, his left eye almost closed, hit Kalule with a left hook to the head that swayed the challenger late in the 10th round. The 23-year-old champion delivered a right to the jaw and then landed at least 20 punches to the head, leaving Kalule defenseless in his own corner. The referee stopped the fight with two seconds left in the round.

Kalule, a 28-year-old Ugandan living in Denmark, was trying to regain the championship he lost last June when he was knocked out in the ninth round by Sugar Ray Leonard in Houston. That had been his only loss in 41 pro fights until Saturday. Moore, now 11-0 with eight knockouts as a pro after a 96-6 amateur record, won the title with a sixth-round knockout of Japan's Tadashi Mithara in Tokyo last February.

Transvaal Beats Europeans in Rugby

JOHANNESBURG — Transvaal beat an Irish-led team of European rugby stars Saturday, 33-22, in a match inaugurating 70,000-seat Ellis Park stadium. Transvaal scored two converted tries in injury time after the visitors had led, 22-21, at the end of regulation time.

Center Pieter van der Vyver accounted for 21 points and scrumhalf Harry Viljoen, wing Dries Maritz and flyhalf Errol Tobias also scored tries. Dusty Hare (14 points) and John Carleton of England and Dominique Erbeni of France scored for the visitors, whose controversial tour takes them to Cape Town for a match against Western Province Tuesday, then back to Ellis Park for an unofficial test match against a South African Rugby Board XV next Saturday.

Clerc Takes WCT Event in Austria

ZELL AM SEE, Austria — José-Luis Clerc routed Heinz Guenthardt on Sunday, 6-0, 3-6, 6-2, 6-1, to win a WCT tennis tournament here. Clerc, ranked fifth in the world, advanced to the final by defeating José Higueras, 6-3, 6-1, on Saturday. Guenthardt, unseeded, upset Balazs Taroczy and Tomas Smid on his way to the final. The \$300,000 purse was the largest for a tournament in Austria.

In Stuttgart, meanwhile, Ramesh Krishnan of India won a Grand Prix tournament Sunday by surprising top-seeded Sandy Mayer, 5-7, 6-3, 6-3, 7-6. Krishnan collected \$14,200 for the victory. In Saturday's semifinals, Mayer defeated Peter Elter, 6-3, 6-1, and Krishnan downed Uli Pinner, 6-4, 3-6, 6-4.

In Bastad, Sweden, Mats Wilander defeated Gustavo Tiberti on Sunday, 7-6, 6-3, to move into the final of the Swedish Open Grand Prix tournament. His opponent will be Henrik Sundstrom, who beat Thomas Hogstedt, 6-2, 6-4.

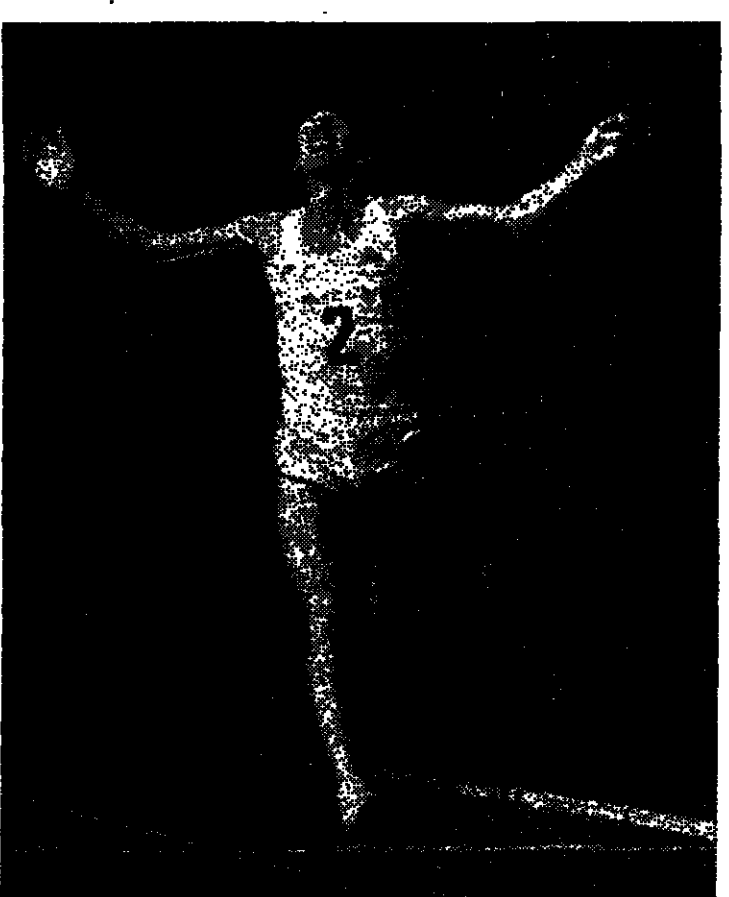
And in Brookline, Mass., Mel Purcell upset Ivan Lendl, 2-6, 6-3, 6-2, Saturday to reach the semifinals of the U.S. pro championships. Guillermo Vilas overcame Eric Fromm, 6-4, 7-5; Fernando Lusa defeated Alejandro Ganszabal, 7-6, 4-6, 6-3, and Yannick Noah beat John Alexander, 6-1, 7-6.

Ruzici Beats Gadusek in Monte Carlo

MONTE CARLO — Virginia Ruzici of Romania defeated Bonnie Gadusek, 6-1, 7-6, Saturday in the title match of the Kim Cup tennis tournament.

The Romanian, who was the seeded second, took the first set in 25 minutes with little difficulty. But she had to fight to a tie-break in the second set, during which neither player managed a service break. It was the second time Ruzici, 27, has won the Monte Carlo tournament. Her previous victory was in 1977.

Gadusek, an 18-year-old American, upset top seed Sylvia Hanika of West Germany on Friday to reach the final.



David Moorcroft takes the 3,000-meter race at Crystal Palace.

Moorcroft Clocks Second-Fastest 3,000 Meters

By Peter Onos

LONDON — David Moorcroft, Britain's new track hero, broke away from a field of world-class competitors Saturday night to run the second-fastest 3,000-meter race on record, 7 minutes 32.79 seconds.

Moorcroft, who set the world record at 5,000 meters in Oslo earlier this month, outpaced such celebrated runners as Britain's Steve Ovett and American Steve Scott, who finished 10th and fifth, respectively.

The race at London's Crystal Palace was originally intended as a match between Ovett and Britain's other outstanding middle-distance runner, Sebastian Coe. After Coe was forced to withdraw after suffering a hairline fracture of his leg earlier this month, meet organizers brought together a field that included many of the world's best runners.

Henry Rono of Kenya, who dropped out at the last minute Saturday, holds the record for 3,000 meters of 7:32.1. He had come under pressure from the Kenyan Athletic Federation that had considered challenging his entry in the meet because of his refusal to join an African team in the United States recently.

Second in the race was Sydney Maree, a South African who lives in the United States and attends Villanova University. He stayed with Moorcroft throughout the race and passed him on the last backstretch. But Moorcroft, still riding high from his record performance in Norway, retook the lead coming off the final turn and won by about four yards.

The most disappointing performance was Ovett's. He has been

slowly recovering from an injury last winter. Earlier this month he dropped out of a race in Paris complaining of stomach pains. And Saturday he was not in good form and left the track hanging his head.

While Ovett and Coe had been expected to vie this season for the position of the world's top middle distance runner, that distinction, at least for the moment, belongs to Moorcroft. He is a widely respected but previously little-known competitor who was champion in the Commonwealth Games and European Cup but never considered a prime contender for world record marks.

Following behind Moorcroft and Maree was John Walker of New Zealand, the 1975 world record holder in the 3,000 meters, who is running faster than he was six years ago. Other celebrated names such as West Germany's Thomas Wessinghage and Kenyans Mike Bolt and Peter Koech finished far back.

Moorcroft's time set a British record. The winner said the contest was "much more of a race" than he expected with the runners more tightly packed than some had predicted. He said he expected Ovett and Scott to dominate the field, and he was grateful to Maree for closing on him in the final lap and forcing a last burst of speed toward the finish.

The 3,000 meters is something of an stepchild in international competition. There is no Olympic gold medal and most middle-distance runners concentrate on either 1,500 meters or 5,000 meters. The top-class field Saturday gave 3,000 meters the kind of attention it has rarely received and established it as a major new test in championship running.

"I am surprised since it was my first 10,000 on the track," she said. "I am surprised it was so easy. It just proves the records aren't real stiff yet. The more people run them, the stiffer they'll get."

Spilman's Home Run in 10th Gives Astros a 4-3 Triumph Over Pirates

Compiled by Our Staff From Dispatches
HOUSTON — Harry Spilman hit a home run with one out in the 10th inning Saturday night, giving the Houston Astros a 4-3 victory over the Pittsburgh Pirates.

Spilman hit the first pitch delivered to him by Kent Tekulve (6-4). It was his first home run of the season and his first as an Astro, and it made a winner of Joe Niekro (9-6).

Pittsburgh tied the game, 3-3, in the sixth when Dave Parker doubled with one out and scored an out later when Dale Berra singled to center.

The Pirates scored a run in the first when Omar Moreno walked and stole second. One out later, Bill Madlock singled to right to drive in Moreno.

The Astros took a 2-1 lead in the third. Dickie Thon hit his second homer of the year, a leadoff shot. Ray Knight singled and advanced to second on a wild pitch. Jose Cruz then hit a slow bouncer to Berra, who threw wildly to first allowing Knight to score.

Houston made it 3-1 in the fourth when Phil Garner tripled and scored on Art Howe's single. Pittsburgh closed to 3-2 in the fifth when Steve Nicosia singled. Moreno walked and Johnny Ray doubled.

Phillies 5, Giants 3
In San Francisco, Mike Caldwell's solo home run, scored

Philadelphia's 5-3 victory over San Francisco. The Phillies second baseman, Manny Trillo, set a National League record by handling his 419th chance without an error. The old record was set by Ken Hubbs in 1962. After fubbing his first chance of the season, Trillo has gone 79 straight games without an error. Ken Boswell holds that record of 85.

Expos 4, Padres 1

In San Diego, Bill Gullickson pitched a seven-inning and Warren Cromartie capped a three-run second

inning with a two-run double as Montreal beat San Diego, 4-1. The Expos spoiled the major-league pitching debut of Andy Hawkins, and have now won three games in a row. Gullickson (7-8) pitched his first complete game in 19 starts this year with only Sixto Lezcano's eighth home run in the fifth spoiling his shutout. Gullickson struck out six, including Ruppert Jones four times.

Dodgers 6, Mets 5

In Los Angeles, Dusty Baker and Ron Cey each hit two-run singles with one out in the bottom of the ninth as Los Angeles rallied to

beat New York, 6-5, despite two home runs by Dave Kingman. Kingman hit his 24th and 25th homers to drive in four runs. He took the major-league lead in home runs and has hit six and driven in 12 runs in his last six games.

Braves 9, Cubs 4
In Chicago, Chris Chambliss hit two RBI singles. Dale Murphy drove in two runs with a single and a double and Glean Hubbard had a two-run triple for Atlanta as the Braves defeated Chicago, 9-4. Bob Walk (8-6) allowed 10 hits and struck out five in eight innings to earn the victory. Dickie Noles (6-8) yielded seven runs in 4½ innings before Mike Proly relieved.

Cardinals 4, Reds 2
In St. Louis, Darrell Porter, Tommy Herr and Mike Ramsey drove in runs in the seventh inning to assure St. Louis of a 4-2 victory over Cincinnati. The runs were scored off Mario Soto (8-6), and the rally was helped by a one-out error by the Reds' second baseman Tom Lawless. Bob Forsch (9-5) won for the first time since June 14.

Red Sox 8, Royals 4
In the American League, at Boston, Rick Miller tripled with the bases filled in the eighth inning to highlight a six-run rally that broke

loss was the seventh in a row for the Royals.

Yankees 4, A's 1

In New York, Jerry Mumphrey and Bobby Murcer each hit a two-run homer, and Shane Rawley pitched the first complete-game victory of his career with a five-hitter as New York won, 4-1, over Oakland. Primarily a reliever, Rawley (5-4) yielded Oakland's run in the ninth on consecutive doubles by Jeff Burroughs and Mickey Klutts.

Indians 10, Angels 4
In Cleveland, Rick Manning drove in three runs with a bases-loaded walk and a two-run single to help Cleveland walk away with a 10-4 victory over California. The loss snapped a six-game California winning streak. Miguel Dilone's groundout sent home the lead run in Cleveland's four-run seventh inning, and Bill Nohrordny and Mike Hargrove hit two-run singles. But 11 walks issued by Angel pitchers made the difference.

Brewers 5, White Sox 2
In Milwaukee, Gorman Thomas lined a two-run, tie-breaking double with one out in the eighth, rallying Milwaukee to its seventh straight victory, a 5-2 triumph over Chicago. Cecil Cooper singled to lead off the eighth against reliever Salome Barajas (5-3). Then Ted Simmons was safe on a single

back moved the runners over before Thomas hit his double. It made a winner of rookie Pete Ladd, who was recalled Friday from Vancouver of the Pacific Coast League.

Blue Jays 11, Rangers 3

In Toronto, Ernie Whit hit a three-run double to complete a seven-run second inning in which Toronto sent 11 batters to the plate, helping the Blue Jays to an 11-3 victory over Texas. Roy Lee Jackson (3-6) ended a six-game losing streak in relief, shutting out Texas in his six innings. He gave up one hit, struck out four and walked one in retiring the last 13 batters.

Orioles 8, Mariners 4

In Baltimore, the Orioles scored four runs in the second inning and four in a wild fourth, then, on the strength of four innings of shutout relief from Storm Davis, defeated Seattle, 8-4. Three Orioles, including Manager Earl Weaver, were ejected in a fourth-inning squabble over a close call at first base after Eddie Murray appeared to beat a throw on the end of a double play but was called out.

Tigers 8, Twins 4

In Minneapolis, Larry Herndon's three-run homer in the sixth and run-scoring single in the seventh gave Detroit an 8-4 victory over Minnesota. Jerry Ujdur (3-5)

Major League Standings

NATIONAL LEAGUE				
	W	L	Pct.	GB
Pittsburgh	46	40	.533	1
St. Louis	46	42	.523	2
Montreal	44	42	.512	4
Philadelphia	44	42	.512	4
New York	39	48	.448	9
Chicago	37	55	.400	15
West				
Atlanta	52	34	.605	—
San Diego	50	36	.581	2

